| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch24 | Indonesia | Rp3100 | Philippines | Pso40 |
| Bahrain | Din0.700 | Iran | Rls210 | Portugal | Esc150 |
| Belgium | [illegible] | Israel | Shk3.50 | Qatar | QR9.00 |
| Cyprus | C£0.90 | Italy | L2000 | S.Arabia | SR7.00 |
| Denmark | DKr12.00 | Jordan | Fils1000 | Singapore | S$4.10 |
| Egypt | E£3.25 | Kuwait | Fils.500 | Spain | Pta165 |
| Finland | FM8.50 | Lebanon | L£400.00 | Sweden | SKr12 |
| France | FFr7.50 | Lux | LFr55 | Switz | SFr2.50 |
| Germany | DM2.60 | Malaysia | Ms4.25 | Thailand | Bht50 |
| Greece | Dr150 | Morocco | Dh9.00 | Tunisia | Din0.800 |
| Hong Kong | HK$12 | Neth | Fl3.25 | Turkey | L1450 |
| Hungary | Ft107 | Nigeria | Naira10 | UAE | Dh7.00 |
| Iceland | IKr150 | Norway | NKr12.00 | | |
| India | Rs15 | Oman | OR1 | | |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Friday March 30 1990

D 8523A

**SPAIN**

**Economists say the party is over**

Page 18

## World News

### Baghdad threatens retaliation against UK

Iraq threatened retaliation for any measures Britain might take in connection with the alleged plot to smuggle devices for triggering nuclear bombs, which were bought in the US, out of Britain.

This threat went together with a vigorous official denial of "British allegations," conveyed to the UK chargé d'affaires in Baghdad, who was summoned to the Iraqi Foreign Ministry. Page 20; Background, Page 6

**Forum's hopes grow**

Hungarian Democratic Forum's chances of leading the next government strengthened as leaders of the Smallholders Party, which holds the balance of power, appeared to move toward an electoral pact with the Forum. Page 20

**Hawke plans cabinet**

Bob Hawke, re-elected as Australia's Labor Party Prime Minister, began planning a cabinet as the opposition Liberal-National coalition sought a new leader. Page 20; Editorial comment, Page 18

**US rejects Start ban**

US has decided against proposing a ban on mobile land-based missiles, in forthcoming strategic arms reduction talks with the Soviet Union. Page 4

**Soviet amnesty offer**

Soviet Defence Ministry offered an amnesty to any Lithuanian deserters who gave themselves up, but there were no signs of movement in the diplomatic deadlock between Moscow and the republic. Page 2

**Arab summit call**

Yassir Arafat, PLO leader, called for an urgent Arab summit to discuss exodus of Soviet Jews to Israel, describing it as a "demographic time bomb."

**Abortion legalised**

Belgium's parliament approved abortion during the first 12 weeks of pregnancy. Ireland is now the only EC member with a total ban on abortions.

**Norway PM warned**

Christian People's Party, one of the three parties in Norway's coalition, warned Prime Minister Jan Syse it would bring down the Government if he tried to join the EC.

**Ethiopian talks fail**

Preliminary peace talks between the Ethiopian Government and Tigray rebels broke down, a minister said.

**Gandhi setback**

Rajiv Gandhi's Congress party suffered another setback when it lost control of parliament's upper house after losing heavily in biennial elections. Page 6

**Macao visa riot**

Macao police fired warning shots and more than 1,000 people were arrested when illegal Chinese immigrants went to the city centre, hoping to be registered for permanent residency. Page 6

**Static weather**

Satellite study of world temperatures over the past decade has found no evidence of the global warming trend predicted by many scientists. Page 4

## Business Summary

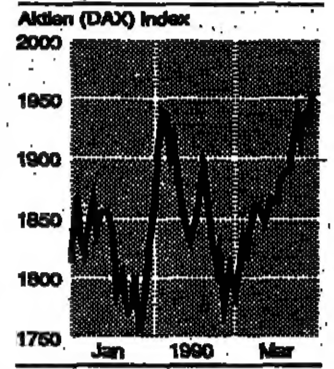
### Deutsche Bank profits reach record levels

Deutsche Bank, West Germany's largest financial institution, announced record profits for 1989 and outlined its "vision" of a network of 250 branches and 4,000-6,000 employees in East Germany. Group partial operating profits rose 24.8 per cent to DM3.87bn ($2.26bn). Page 21

**MARKETS:** Key Frankfurt indices hit all-time highs with the FAZ rising 14.30 to 826.26 at midsession and the DAX closing 25.29 higher at 1,953.89.

**West Germany**

Aktien (DAX) Index




Tokyo saw share prices firm in morning trading, buoyed by the yen's recovery against the dollar and a rebound in bond prices. The Nikkei average lost 237.41 to finish at 31,026.16. Markets, Back page, section II.

**MEXICO** is expecting to save $4.05bn a year on average in debt service in 1990 to 1994, thanks to the agreement last month on the reduction of medium and long-term debt with commercial banks. Page 4

**AGRICULTURE** protection causes an annual income loss in the main industrial countries equal to the combined gross domestic products of Ireland and New Zealand, says an OECD study. Page 4

**FRANCE'S** inflation rate slowed slightly in February to an annualised rate of 3.4 per cent, down from last year's 3.6 per cent. Page 3

**MOTOR** industry: Rate of growth in new car demand in western Europe slowed in February with an increase of less than 1 per cent to 1.1m. Page 2

**PARIBAS**, leading French investment bank, reported a 30 per cent increase in net profits to FFr3.45bn ($605m) for last year, a slowdown from the previous 12 months' 54 per cent rise in earnings. Page 21

**NIKKO** of Japan, has launched an insider trading action against Sanwa Enterprise, which is making a hostile bid for the plant manufacturer. Page 25

**BRITISH** Telecom is to accelerate job reductions, which could lead it to shed about 10,000 jobs a year over the next three years, after unveiling plans for far-reaching internal reorganisation. Page 21

**AMERICAN** General, fourth largest shareholder-owned insurer in the US, is trying to block in the courts a proxy fight launched by Torchmark, a competing insurer which is making a $6.4bn bid for it. Page 22

# Civil war toll continues in Natal's valley of death

**By Patti Waldmeir in Henley, Natal**

CLAD only in a pink dressing-gown, with her bare feet bent at impossible angles beneath her, the body of a middle-aged woman lies sprawled across a muddy footpath in the black township of Henley in Natal, another victim in the province's "valley of death."

Nobody could tell me the woman's name, or that of another matronly figure lying further down the path, whose gaping head wound left a slippery trail of blood through the mud. But both bodies were still warm when I reached them and bystanders said the armed mob which attacked them had only recently disappeared over the crest of a distant hill.

The murder of two unarmed and defenceless Zulu women scarcely rates a mention in the context of violence which has left hundreds dead in the black townships of South Africa's Natal province since the beginning of the year.

But their story – as told by neighbours who had hidden in the heavy undergrowth of the steep Natal hillsides – illustrates both the senselessness of the killing and the difficulty of trying to stop it.

According to Mrs Anna Maria Sosibo – who says she does not know her age, adding "It could be a hundred" – two shots felled the women outside her front door. Gazing across the vegetable patch next to her mud-walled home, she points to the bushes in which she took refuge when she heard the invaders rampaging through the neighbouring smallholdings, setting fire to more than 20 homes as they went.

On hearing that police had discovered the body of a young man further down the hill, she asks frantically for details of his clothing. Her son, she says, fled in that direction when the attack began. Altogether, 15 bodies are found in the undergrowth.

As residents slowly emerge from their hiding places, they all agree that the attacking mob were supporters of Inkatha, the Zulu organisation headed by Chief Mangosuthu Buthelezi.

Henley, they say, supports the "comrades" – the local term used to describe the more radical United Democratic Front (UDF) an affiliate of the African National Congress (ANC).

But these are merely shorthand terms to identify the two sides in Natal's continuing civil war. There may, originally, have been a genuine political dimension to the conflict but three years and 3,000 bodies later, revenge and simple gangsterism motivate much of the killing.

Asked why Henley was the target yesterday, Mrs Agnes Mbanzwa – who lost three cattle but no family in the raid – says the residents were attacked simply because "the majority are comrades."

A few kilometres further along the road that leads away from the provincial capital of Pietermaritzburg, small bands of men armed with spears, shields, home-made guns and more professional weapons begin to appear. We drive cautiously past them, wondering whether they formed part of the Henley raiding party.

But their numbers are small, compared with the thousands of refugees who line the roadside, waiting for transport or beginning the long hike to a local refugee centre. Babies tied to their backs and their belongings gathered in a blanket balanced on their heads, local women say they do not dare stay at home.

They hope Mr Nelson Mandela and Chief Buthelezi – who are due to meet for peace talks next Monday – can stop the killing.

Until then, they are not taking any chances.

# Kohl urges Britain to play full role in integrated Europe

**By David Marsh and Michael Cassell in London**

Helmut Kohl: pressing for talks on political union

CHANCELLOR Helmut Kohl of West Germany last night called on Britain to play a full role in pushing forward European integration to accompany the unification of Germany.

Mr Kohl was speaking at a dinner in Cambridge, also attended by Mrs Margaret Thatcher, Britain's Prime Minister, to mark the 40th anniversary of the Anglo-German Königswinter Conference. The ceremonial occasion was in the nature of a reconciliation, since the relationship between the two countries has been marred in recent weeks by Mrs Thatcher's warnings on the unification of Germany.

The Chancellor's pointed reference to Mrs Thatcher's aversion to full membership of the European Monetary System was coupled with a renewed suggestion that a special intergovernmental conference of the 12 European Community countries should be held at the end of this year to push forward political union. This would be in addition to the conference on European Monetary Union which is already scheduled.

Although Mrs Thatcher, predictably, did not respond to this suggestion, she adopted an unusually conciliatory attitude on a problem which has long been a bone of contention between London and Bonn: that of nuclear weapons stationed on German territory.

Nato would be able to contemplate a significant reduction, not only in conventional forces in Europe, but in short-range nuclear weapons if the current momentum of change in east-west relations continued, she said. Her remarks marked a modification of her previous insistence that short-range nuclear weapons based in West Germany, particularly the Lance missile, must be modernised as rapidly as possible.

Mrs Thatcher said that although Nato would continue to be essential in maintaining peace and security, it should not be afraid to adjust aspects of its strategy in response to changing conditions. She emphasised, as did Mr Kohl, that a united Germany should remain firmly rooted within the European Community and Nato and that US and other forces should continue to be based on German soil.

Britain, she said, might be able to make some cuts in its own forces in Germany, although their presence was likely to remain significant.

Any cut in short-range nuclear weapons, however, would not remove the need to retain adequate nuclear forces both in the UK and on mainland Europe, including Germany.

The Prime Minister also proposed that greater substance and permanence should be given to the Helsinki Agreements on democracy and human rights, so that the summit later this year of the 35 members of the Conference on Security and Co-operation in Europe (CSCE) could take a big step towards the creation of "a great alliance for democracy" stretching from the Atlantic to the Urals and beyond.

Mrs Thatcher said the CSCE talks provided a framework for fully involving the Soviet Union and eastern Europe in the debate on Europe's future security.

Editorial comment, Page 18; Democracy blueprint, Page 20

# Italy urges faster progress to EMU

**By John Wyles in Rome**

MOST EC member states were ready to aim for a mid-1991 deadline for completing negotiations on steps towards Economic and Monetary Union, Mr Gianni De Michelis, Italy's Foreign Minister, said yesterday.

As a result, Italy, which takes over the presidency of the Community in July, is planning a more detailed preparation for the inter-governmental conference on EMU in December. "We should try to arrive at this conference with a draft treaty already written," said Mr De Michelis.

Setting a deadline for reaching agreement on EMU is seen by Italy and several other member states as the necessary response to Bonn's refusal to bring forward the December conference. West German acquiescence was signalled last Friday by Chancellor Helmut Kohl, who said the negotiations should be accelerated "because of what is happening in Germany".

Mr De Michelis said that soundings among the 12 had revealed that only Britain and the Netherlands had voiced reservations about speeding up the process.

Most observers believe that in the event, Britain will be alone in objecting to the proposal.

The Italian minister said he believed that the special EC summit in Dublin at the end of April would approve a second conference, in parallel with the EMU process, aimed at producing a new treaty to reform the Community's polit-

Continued on Page 20

Editorial Comment, Page 18

# Nigeria adopts hard line with creditor banks

**By Michael Holman, Africa Editor, in London**

NIGERIA has warned that it may be unable to meet payments due on its $5.5bn debt to the London Club of commercial banks.

The warning, delivered at a recent meeting with the banks in London by Mr Olu Falae, Nigeria's Minister of Finance, marks the opening shot of a campaign to reduce servicing commitments on the country's $32bn external debt.

Notice that Nigeria would take a tougher stand on the issue was served on January 1 by the country's military leader, President Ibrahim Babangida, when presenting the 1990 budget.

The level of external debt service payments was "too high and unsustainable," he said, adding that Nigeria would seek long-term debt relief from creditors. "While we will not repudiate any legitimate debt, we would not at the same time live for our creditors," he added.

Mr Falae took the first step in this strategy at the meeting in London of the steering committee representing creditor banks.

The London Club debt, a combination of medium-term loans and outstanding letters of credit, was rescheduled in March last year.

However, according to an official summary of the London meeting, Mr Falae "stated that Nigeria does not forsee being in a position to maintain payments at contractual levels beyond the first quarter of this year."

The summary added: "The steering committee expressed concern at this suggestion and urged the minister to reconsider."

The two sides are due to meet again to consider a report from the banks on the state of the Nigerian economy.

In particular, the report will assess likely 1990 foreign exchange from oil sales. These account for about 95 per cent of export earnings, forecast at between $9bn and $10bn this year.

About half of the total external $32bn debt is owed to the Paris Club of government creditors, and Nigeria is expected to seek a combination of debt write-off and softer terms at talks later this year.

Official projections put debt service payments at $3.3bn this year, and at an average $4.2bn a year for the next seven years.

If it were to service its debt at this level, Nigeria would need to run a large current account surplus and would be a net exporter of capital. Government officials argue that this is not compatible with the recovery of the country's depressed economy.

In mid-1986, Nigeria implemented a structural adjustment programme, endorsed by the International Monetary Fund (IMF) and supported by the World Bank.

Officials in both institutions have privately expressed some sympathy for Nigeria's position, including the view that the commercial bank creditors may have to play a greater role in easing the country's debt burden.

# Gorbachev faces threat to oil

**By Quentin Peel in Moscow**

UP TO 700,000 workers in the region which produces 60 per cent of the Soviet Union's oil and gas are threatening to strike next month in the most serious industrial challenge to Mr Mikhail Gorbachev, the Soviet President, since last year's mass miners' strike.

The oil workers of Tyumen, in western Siberia, are calling for an answer from the Soviet government to six major demands by Sunday, or they will bring the industry to a halt. If the strike goes ahead it could prove even more devastating economically than the coal stoppage.

Details of the demands have been published in an open letter to Mr Nikolai Ryzhkov, the Soviet Prime Minister, from the official oil and gas workers' trade union in Tyumen, a region which stretches from the Urals to the Arctic.

Already Moscow has announced concessions, including permission for local producers to sell 400,000 tonnes of oil, and 300m cubic metres of gas directly on the international market, in order to buy food supplies for the region.

But workers are also demanding a freeze on all equipment prices for oil and gas enterprises, substantial increases in capital investment, and long-promised spending on housing and social facilities, in a region which has become one of the most politically volatile in recent months. In January, the entire Communist Party leadership in Tyumen was forced to resign.

If their specific demands are not met, the oil workers are calling for the right to sell up to 15 per cent of all oil and gas output wherever they like, in order to meet social needs.

The strike threat comes just after disastrous figures were released on the performance of the Soviet economy in the first two months of the year, includ-

Continued on Page 20

**Weekend FT**

**Tomorrow: Michael Prowse on the search for religion**

●

**Singapore — the capitalist dream come true**



## CONTENTS



### Reshaped Gatt looms out of the Uruguay Round fog

With the Uruguay Round of trade talks now in its final year, a new world vista looms. Italian trade minister Renato Ruggiero (left) feels Gatt may need reshaping as a fully-fledged international group. Page 4

## MARKETS

**STERLING**
New York lunchtime: $1.63475
London: $1.6330 (1.6300)
DM2.7725 (2.7850)
FFr9.3275 (9.3575)
SFr2.4525 (2.4675)
Y255.75 (258.50)
£ index 87.3 (87.6)

**GOLD**
New York: Comex Jun $376.0 (374.2)
London: $371.75 (369.75)

**N SEA OIL** (Argus)
Brent 15-day May $18.275 (18.35)

Chief price changes yesterday: Page 21

**DOLLAR**
New York lunchtime:
DM1.6975
FFr5.7140
SFr1.4965
Y156.30
London:
DM1.6975 (1.7080)
FFr5.7125 (5.7400)
SFr1.5020 (1.5135)
Y156.55 (158.65)
$ index 68.7 (69.1)
Tokyo close: 156.65

**US lunchtime rates**
Fed Funds rates
3-mo Treasury Bills: yield: 8.088%
Long Bond: $99\frac{1}{2}$
yield: 8.539%

**STOCK INDICES**
FT-SE 100: 2,263.0 (−12.0)
FT Ordinary: 1,761.2 (−11.8)
FT-A All-Share: 1,120.33 (−0.4%)
New York lunchtime:
DJ Ind. Av. 2,729.50 (−14.19)
S&P Comp 340.43 (−1.57)
Tokyo: Nikkei 31,026.16 (−237.41)

**LONDON MONEY**
3-month interbank: closing $15\frac{7}{32}$% ($15\frac{1}{4}$)
Liffe long gilt future: June $81\frac{3}{32}$ ($80\frac{27}{32}$)

EUROPEAN NEWS

# Soviet military fights to defend its Baltic strongholds

**Mark Nicholson** explains the strategic significance of the independence-minded republics

**THE SOVIET Defence Ministry yesterday offered an amnesty to any Lithuanian deserters who turn themselves in, but there were no signs of movement in the diplomatic deadlock between Moscow and the breakaway republic.**

**However, a fresh Baltic challenge to President Mikhail Gorbachev appeared likely as a hastily convened meeting of the newly-elected Estonian parliament discussed how to take its next step towards independence. Pro-independence deputies, who make up almost half the 104-seat parliament, have said they will seek to establish an independent state, but say they do not intend to emulate Lithuania in immediately making an outright declaration of independence.**

**However, no clear decision on how the republic's new leaders would proceed had emerged from a confused and heated session by late last night. Deputies representing the republic's significant Russian-speaking minority have been mounting strong opposition to an Estonian breakaway in any form.**

**Parliamentary spokesmen in Lithuania, meanwhile, dismissed the amnesty for deserters as "irrelevant". Official Soviet estimates put the number hiding in the republic at 250.**

ALMOST the whole of Lithuania, with the exception of big towns and certain main roads, is out of bounds to foreigners for reasons of military security.

Most of Estonia and Latvia, Lithuania's similarly independence-minded Baltic neighbours are also off limits for the same reason.

It is a distinction shared by only a few regions of the vast Soviet Union and is a clear indication of the Baltic region's vital military importance to Moscow.

The implications of the Baltic states' independence drive are therefore of the utmost concern to Soviet military commanders. Any outcome which would require a change in the footing of Soviet forces on Baltic soil would have potentially immense strategic repercussions.

Lithuanian leaders are well aware of Moscow's concern and have stressed that whatever form independence takes, it will not challenge what they call legitimate Soviet defence interests.

The three Baltic states dominate and therefore safeguard the Soviet Baltic seaboard, and their ports have traditionally serviced military units in Poland and East Germany. They are believed also to house important submarine bases.

The only Baltic ports outside the three secessionist republics are Leningrad and Kaliningrad in the enclave of what was once East Prussia, a small isolated part of the Russian republic wedged between Poland and Lithuania. Kaliningrad, formerly Konigsberg, is the main base for the Soviet Baltic fleet, but all supply routes to this vital port run through Lithuania.

Furthermore, all three states are replete with well-equipped bases of mobile military units, forming a mainstay of forward European forces within Soviet borders. They also house numerous important surveillance centres serving as the Soviet Union's eastern listening posts.

Defence experts agree that Moscow's military commanders will insist that safeguarding these interests demands leaving all bases, all rights of access and all listening posts exactly as they are.

Moreover, events in Eastern Europe suggest that commanders may even insist that the interests of Soviet defence will mean eventually augmenting the Soviet military presence in the Baltic states.

The withdrawal of Soviet troops from Poland and East Germany would leave the Baltic as a crucial military buffer zone within Soviet borders. Analysts also suggest that the Soviet Union's newly proclaimed "defensive doctrine", which might entail creating a forces-free zone on Soviet soil, would be more likely to be formed inland in the western Ukraine or Belorussia than in the Baltics.

In Lithuania at least, political leaders' attitudes towards the Soviet military presence in the republic – soured considerably by this week's paratroop seizures of buildings and deserters – makes it questionable whether they would consider it acceptable to leave force strengths as they are, let alone add to them.

Moreover, none of the three republics is likely to accept a status whereby the Soviet Union conducts its defence and foreign policies and would prefer instead to set up its own forces. Such a course looks set to provoke a fierce clash with Moscow.

Lithuania's first steps towards taking even internal security into its own hands by forming civil defence units swiftly prompted military wrath in Moscow and decrees from President Mikhail Gorbachev outlawing the bodies.

Military leaders have also been incensed by Lithuania's willingness to receive and hide Red Army deserters. The see this as encouraging a rise in the number of runaways (of all nationalities) which has already reached alarming proportions in the 3.8m-strong army, about 60 per cent of which consists of two-year conscripts.

There is no question that the rise in nationalism, Baltic or otherwise, has catalysed desertion from the army as disillusioned recruits feel they can no longer justify wearing the uniform of what they increasingly view as an imperial power.

One long-term strategic effect of the Baltic independence drive, therefore, will be to accentuate this resistance to serve for the Soviet Union. By so doing it might also strengthen the hand of a growing civilian lobby for the Soviet Union to solve the problem by doing away with the presently troublesome conscript army in favour of a leaner but fully professional force.

Thousands of young men are due to sign up for the spring call-up in April, only days away, and there are fears that masses of conscripts in the Baltics, Azerbaijan, Armenia and Georgia will simply refuse the call.

Military leaders are likely to be watching that with as much concern as secession in the Baltic states as they ponder the Soviet Union's strategic future.

# Spain seeks new consensus to prevent recession

**By Peter Bruce** in Madrid

THE Spanish Government, opposition and trade unions, in a sudden rush of rare goodwill, have begun this week to look for ways to build a consensus on economic policy in order to prevent the country sliding into recession.

Even the fundamentalist leader of the communist-led Izquierda Unida, Mr Julio Anguita, has began to talk of the need to move closer to the governing Socialist Party, in what appears to be an important political advance for Prime Minister Felipe Gonzalez.

The new mood began to emerge on Wednesday, five months after last October's general election first soured the political atmosphere in Madrid, when the Finance Minister, Mr Carlos Solchaga, told parliament he wanted to put together a framework in which political parties could work together. He said he wanted a comprehensive reform of personal and corporate taxes and promised to try to meet long-standing union demands on social spending if they moderated high wage demands.

Employers and opposition leaders reacted cautiously but sympathetically to Mr Solchaga's offer. The Prime Minister, concerned that rising inflation and a rocketing trade deficit is hurting the country's competitivity, may try to use a motion of confidence debate next Thursday to develop the consensus theme.

The Government has already gone a long way this year to repairing its very poor relations with the main trade unions by meeting demands for pension and minimum wage increases, but that has not stopped wage agreements settling so far this year at more than 8 per cent.

Inflation is running at more than 7 per cent, almost two points higher than official predictions. A return to consensus with the unions would mark a complete turnround in Government thinking. After a general strike in December 1988, Mr Gonzalez broke off most formal links with union leaders. The healing process has gathered pace this week with Government agreement to take the unions into its confidence on the final drafting of a contentious reform of the educational system.

Mr Gonzalez has, in the past few weeks, been able to demonstrate forcefully that the Socialists remain the dominant force on the Spanish left. A recent party study on streamlining democratic socialism, the Programme 2000, has become required reading among eastern European intellectuals and leaders trying to modernise their own battered economic systems.

Last week, Mr Gonzalez scored a major triumph over the IU by persuading the Italian communist leader, Mr Achille Ochetta, to be his guest at the launch of a new socialist magazine for Europe, *The Future of Socialism*.

An increasingly isolated Mr Anguita, whose IU won more than half a million protest votes from the socialists last October, has now promised to make an "important" announced during next Thursday's confidence debate. The Siesta after the Fiesta, the economy slows; Page 18

# Bonn seeks shorter national service

**By David Goodhart** in Bonn

A FURTHER reduction in national service from 15 to 12 months and a reduction in the size of the standing army below 400,000 (from the current official figure of 495,000), was yesterday suggested by Mr Gerhard Stoltenberg, the West German Defence Minister, if the conventional arms negotiations in Vienna reach a successful conclusion.

Mr Volker Ruehe, general secretary of the Christian Democrats, went even further and speculated that a joint German army could have as few as 400,000 men – compared with the current combined force of 660,000.

Mr Ruehe also cast further doubt on whether the West Germans would sign-up to the production stage of the three-nation European Fighter Aircraft, currently in its development stage, arguing that production would depend on progress in international disarmament.

The centre-right coalition in Bonn is keen not to leave all the disarmament rhetoric to the Social Democrats who have recently proposed that the standing army be cut in half and that DM5bn ($2.92bn) be cut out of the DM54bn defence budget at once.

● West Germany's controversial gene technology law was yesterday passed by the Bundestag in the face of resistance from the Social Democrats and Greens who fear that the law provides insufficient protection from the risks of gene research.

# Cognac bridles at an advertising ban

MAKERS OF FRANCE'S biggest-selling spirit were up in arms yesterday over the Government's plans to include Cognac in a curb on alcohol advertising, Reuter reports from Cognac, France.

"Exports of Cognac made more money for France in the last two years than exports of Airbus airliners," said Mr Jacques Fauré, of the national Cognac distillers' association. If advertising in France is limited to the printed press, Cognac risks losing its cultural identity in the eyes of foreign consumers, Mr Fauré warned.

The new law, part of a two-pronged attack by the socialist Government on drinking and smoking, is due to be debated by parliament next month.

The brandy earned FFr15.2bn ($2.63bn) in 1988 and 1989 compared to the FFr14.3bn ($2.5bn) from sales of Airbus, in which France is a principal partner.

Ninety-three per cent of all Cognac goes abroad to North America, Asia and Britain

Raised in the stony, cafe-au-lait coloured soils of the Charente region of south-western France, Cognac is a vital source of revenue for a region otherwise lacking industry. About 45,000 people worked making and bottling Cognac, with another 250,000 indirectly dependent on the industry.

The town of Cognac, its stone walls blackened by a distinctive lichen that thrives on evaporating alcohol, is festooned with placards advertising the famous brandies.

Locals are convinced of cognac's health-giving qualities. "In the Charente region we have the highest proportion of centagenarians in the country," Mr Faure said.

# Growth in new car sales slows

**By Kevin Done,** Motor Industry Correspondent

THE RATE of growth in new car demand in Western Europe slowed in February, with an increase of less than 1 per cent to 1.1m, but sales for the first two months of the year were still running at a record level.

According to preliminary industry estimates, new car sales in a total of 17 West European markets rose by 2.8 per cent to 2.34m. The increase in new registrations was supported by a big jump in sales in France, West Germany and Italy, the three leading volume markets, and was achieved despite sharp falls in the UK and in Spain.

Overall sales in February were higher than a year ago in nine markets and lower in eight, while for the first two months of the year sales were higher in 12 markets and lower in five.

New car demand continues to defy industry forecasts of weaker sales following five record years. Registrations rose to nearly 13.5m last year, the longest period of sustained growth ever enjoyed by the West European industry.

In the UK, one of the fastest-growing car markets in Europe in the last five years, new car sales in February fell by 11.8 per cent, and registrations have now been lower than a year earlier for four months in succession and for five of the last six months, marking a clear decline in the face of high interest rates and the economic slow-down.

The Fiat group of Italy, which includes Lancia, Alfa Romeo and Ferrari has established its traditional early lead, but it has been clearly outperformed by Renault of France, the Volkswagen group of West Germany and General Motors (Opel and Vauxhall).

Ford and Peugeot, which includes Citroën, have also lost ground.

Volkswagen, which has led the West European car sales league for the last five years, increased its sales volume by an estimated 8.7 per cent in the first two months helped by the unexpected strength of its domestic West German market. The Fiat group suffered an estimated fall of 1.4 per cent in its sales volume across the whole of Western Europe.

Fiat is dangerously dependent on the Italian market, and ominously its share of the domestic market has slipped to 54.1 per cent in the first two months, from 58.3 per cent a year ago.

**WEST EUROPEAN NEW CAR REGISTRATIONS**
**January-February 1990**

| | Volume (Units) | Volume Change(%) | Share (%) Jan-Feb 90 | Share (%) Jan-Feb 89 |
|---|---|---|---|---|
| TOTAL MARKET | 2,343,000 | +2.8 | 100.0 | 100.0 |
| MANUFACTURERS: | | | | |
| Fiat (incl. Lancia, Alfa Romeo & Ferrari) | 360,000 | −1.4 | 15.4 | 16.0 |
| Volkswagen (incl. Audi and SEAT) | 338,000 | +8.7 | 14.4 | 13.6 |
| Peugeot (including Citroen) | 317,000 | −0.8 | 13.4 | 13.7 |
| General Motors (Opel, Vauxhall & US) | 260,000 | +4.8 | 11.1 | 10.9 |
| Renault | 258,000 | +9.7 | 10.9 | 10.7 |
| Ford | 258,000 | −0.8 | 10.9 | 11.2 |
| Mercedes-Benz | 78,000 | +1.7 | 3.3 | 3.3 |
| Rover | 70,000 | −4.0 | 3.0 | 3.1 |
| BMW | 64,000 | −3.4 | 2.7 | 2.8 |
| Nissan | 59,000 | −4.8 | 2.5 | 2.7 |
| Toyota | 53,000 | +5.3 | 2.3 | 2.2 |
| Volvo | 47,000 | −5.7 | 2.0 | 2.1 |
| Total Japanese | 234,000 | +4.9 | 9.9 | 9.6 |
| MARKETS: | | | | |
| Italy | 467,000 | +6.8 | 19.9 | 19.2 |
| West Germany | 434,693 | +8.8 | 18.6 | 17.6 |
| France | 427,000 | +13.3 | 18.2 | 16.5 |
| United Kingdom | 374,000 | −8.8 | 16.0 | 18.0 |
| Spain | 163,000 | −11.6 | 6.9 | 8.1 |

Source : industry estimates



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EUROPEAN NEWS

# Commission plan to recruit more Britons

By Tim Dickson in Brussels

IMPORTANT PLANS to try to boost the recruitment of British civil servants to the European Commission are being finalised in Brussels.

The moves, which include changing the content of examination papers and launching a special "missionary" programme to spread the Brussels word in the UK, follows growing concern in London that Britain is under-represented, especially in the lower echelons of the Community's main political institution.

EC civil servants are meant strictly speaking to forswear their national allegiance when they join the Commission, but member states tend to use their own nationals as a "conduit" for at least explaining, if not promoting, their point of view in the important process of policy formulation.

UK attitudes have come under fire this year in the tough and highly nationalistic negotiations over how to fill vacancies created by the departure of the top Eurocrats known as directors general. Established British officials have been deeply unhappy at the way in which the UK appears to "parachute in" outside candidates, rather than supporting its own nationals already working for the Commission.

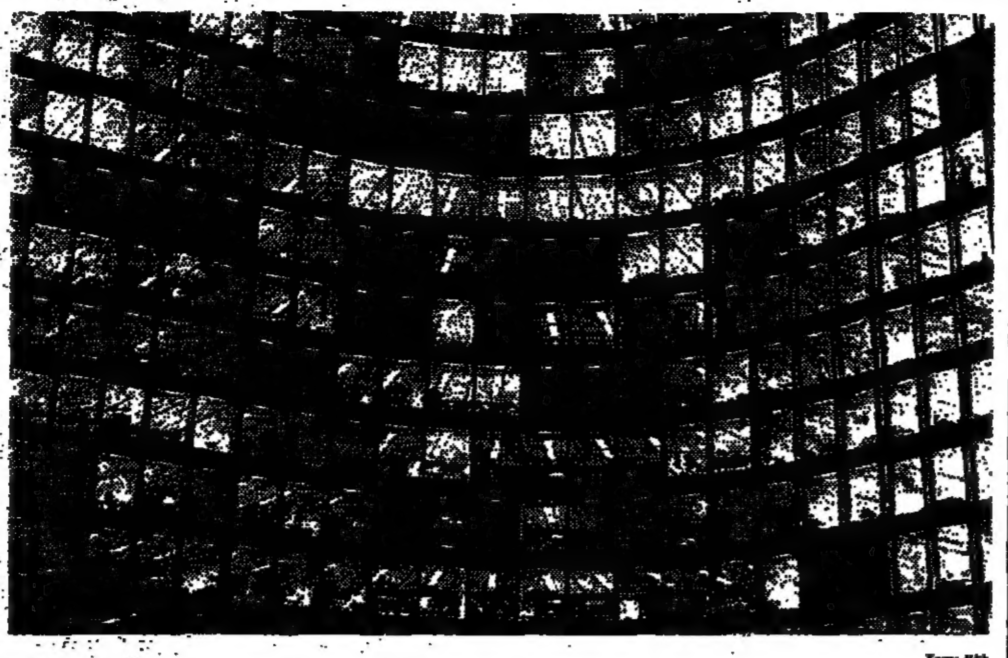
It is widely acknowledged, however, that the real problem lies at the initial recruitment stage, the so-called A8 and A7 grades where Britain has long been under-represented.

Responding to suggestions from Mr Francis Maude, the junior Foreign Office Minister, Mr Antonio Cardoso e Cunha, the EC's Commissioner in charge of personnel, is understood to have agreed that the entrance examination for the Commission, currently well suited to those with specialist skills, should be altered to reflect better the British "generalist" tradition.

In a letter to Mr Maude, Mr Cardoso says that measures are also being taken to increase awareness in Britain of the career opportunities inside the EC executive and that consideration is being given to sending young British officials on speaking engagements to "sell" this message to potential recruits.

In another important development yesterday Britain's Higher Education Minister, Mr Robert Jackson, announced a substantial increase in the number of postgraduate bursaries for UK students at the College of Europe in Bruges. The number offered for 1990-91 will be increased five times to 21 and will go up to 30 the following year.

A large proportion of Bruges alumni use their qualifications in administrative, economic and legal studies to get jobs in the European Commission.



Terry Kirk

Too few Britons behind these windows in the Berlaymont

# Rocard calls crisis meeting to combat upsurge of racism

**A series of racial killings have prompted action by the French premier, writes Ian Davidson**

LEADERS OF France's main political parties will be pressed at a meeting called by Mr Michel Rocard, the Prime Minister, next Tuesday to support the adoption of measures to combat racism in France.

The move has been prompted by a recent series of fatal racial attacks, and by other indications that racist and racially-discriminatory feelings are more widespread in France today than most people had realised.

The Prime Minister's initiative also coincides with the bringing of a criminal case against Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front (who has not been invited to the meeting). He is charged with the offence of racially-loaded abuse of a government minister.

Mr Rocard aims to secure an all-party consensus to tighten the prevention and repression of racial discrimination.

The Government intends to rely for prevention mainly on education, training and information, and for repression on higher penalties for racially offensive journalism and greater publicity for judicial convictions of racial discrimination.

But in a deliberate counterpoint to Tuesday's meeting, conservative opposition leaders are holding their own round-table this weekend to draw up a very different agenda of immigration issues.

They are expected to demand tighter curbs on primary immigration, more stringent limitations on the rights of settled immigrants to bring in their families, and stricter restrictions on foreigners obtaining French nationality.

In short they will be seeking to appeal to their electorate with implied accusations that ethnic problems in France are mainly due to the laxity of government immigration policy.

Racial discrimination has become an increasingly difficult problem since the end of the Algerian war in 1962, but it hit the headlines in a big way two years ago.

In the first round of the presidential election, Mr Le Pen shocked France by winning more than 14 per cent of the vote. In the subsequent general election, the respectable political parties heaved a collective sigh of relief when the National Front vote fell back below 10 per cent again, and the party does not now have a single member in the National Asssembly.

But in the European Parliament election last June, the Front's score rose again to nearly 12 per cent, and it has become increasingly clear that there is in France a hard-core of voters who are attracted by Mr Le Pen's anti-immigrant (and anti-European) rhetoric.

They seem regularly to constitute 10-12 per cent of the national electorate, and much more in racially sensitive regions like Marseilles.

A report prepared for the Prime Minister's office claims to have found no manifest upward trend in physical racial attacks, which have tended to oscillate between 43 and 70 a year since 1982. On the other hand, it has detected a steep increase in verbal threats, such as tracts or graffiti, as well as a widespread expression of anti-immigrant feelings.

The primary targets for racial discrimination are overwhelmingly Moslems of Maghreb origin. "A soft anti-Maghreb racism spreads everywhere like a black tide," according to the report, "in all parts of social life and all points of the territory, including those where the Maghreb community is absent, that is to say, where there are no problems of cohabitation or proximity."

An opinion survey carried out for the report showed that 76 per cent of Frenchmen believe there are too many Arabs in France, and 71 per cent that there are too many Moslems. A much smaller proportion (46 per cent) believe there are too many blacks. The survey also found that 90 per cent think racism is very or fairly widespread in France, and 39 per cent admit to feeling some antipathy for people from the Maghreb.

Moreover, 64 per cent think immigrant workers are well treated in France, and 59 per cent that they are a burden on the economy; it is not surprising that 47 per cent believe that an immigrant who loses his job should be sent home.

Another survey carried out for the conservative newspaper Le Figaro found that 31 per cent of Frenchmen agree with the National Front on immigration issues, though 81 per cent think it a racist party, and 72 per cent that it is dangerous for democracy.

But the key to the quandary of the conservative parties, is the evidence in the Figaro survey that conservative voters are ambivalent about Mr Le Pen and his anti-immigrant platform. Only 54 per cent of Gaullist voters claim they would never vote for the Front, 35 per cent would be prepared to do electoral deals with it, and 39 per cent believe the conservative parties should form an alliance with it in order to beat the left in an election.

# Doubt over direction of Turkish economic policy

By Jim Bodgener in Ankara

TURKEY'S Prime Minister, Mr Yildirim Akbulut, yesterday appointed Mr Adnan Kahveci as Finance and Customs Minister, following the resignation at a stormy cabinet meeting on Wednesday night of Mr Ekrem Pakdemirli.

The likely effect of Mr Kahveci's appointment on economic policy was uncertain yesterday. He was a State Minister and one-man think tank until dropped in a reshuffle last spring. He formulated the rapid growth policies pursued by the ruling Motherland Party (ANAP) in the mid-1980s, whose carry-through from inflated spending during an election year in 1987 is partly blamed for the country's present high inflation rate.

Mr Pakdemirli is reported to have resigned in frustration over divisions in the cabinet on the implementation of austerity measures. A reshuffle of a cabinet top-heavy with State Ministers without portfolios had been anticipated anyway for some time. But other disaffected ministers could be on the brink of resigning, according to press reports.

Popular discontent with high inflation showed itself in support for ANAP of only 7.9 per cent in an opinion poll published yesterday in the daily newspaper Tercuman. The main opposition Social Democratic Populist Party (SHP) led with 27.4 per cent, closely followed by the third largest parliamentary grouping, the True Path Party of former Premier Suleyman Demirel, an increasingly strong challenger to ANAP on the right.

Following the resignation of Mr Mesut Yilmaz as Foreign Minister only three weeks earlier, Mr Pakdemirli's departure is viewed as yet another demonstration of Mr Akbulut's weak authority in the cabinet since his appointment by President Turgut Ozal on the latter's inauguration last year.

The apparent vacuum at the political centre, with the SHP as divided as ANAP, has fuelled fears of a return of extremism. Officials in Ankara are nervous that Islamic fundamentalist groups, for the first time in Turkey, may have resorted to urban terrorism with support from Iranian-backed and Lebanese-based organisations.

The Kurdish south-east of the country is a tinder-box, with the population deeply polarised for or against the state and security forces by propaganda and attacks of the Marxist, separatist Kurdish Workers Party (PKK). President Ozal's has called for a summit next Monday with opposition leaders on the fight against terrorism.

# Italian bank reform clears major hurdle

By Haig Simonian in Milan

THE REFORM of Italy's huge state-owned banking sector passed one of its most important legislative hurdles yesterday with the approval by the Chamber of Deputies of the so-called Amato Law.

The legislation, which will now return to the Senate for final consideration in its amended form, will allow Italy's big public-sector banks to change their status to limited companies, thereby enabling them to issue shares on the stock exchange and bring in outside capital.

While the Italian authorities intend to retain majority control over the institutions concerned, the change will allow the banks to boost their capital ratios. This need is felt most acutely at big southern banks like Banco di Napoli and Banco di Sicilia.

Mr Marcello Tacci, the managing director of Banco di Roma, a large state bank with substantial capital requirements, described the decision as "an important step which will help the development of the Italian financial market".

"There will be a lot of banks which will now turn to the stock market," he said, "especially in view of the strong foreign interest in Italian stocks."

# French inflation rate falls to 3.4% during February

By William Dawkins in Paris

FRANCE'S INFLATION rate slowed slightly in February to an annualised rate of 3.4 per cent, down from last year's 3.6 per cent. The monthly rate of price increases slackened to 0.2 per cent, compared to January's 0.3 per cent, mainly because of cheaper oil and oil products, said Insée, the national statistics institute. Among the main industrialised nations only Japan had a lower inflation rate over the past six months, said Finance Ministry officials.

Food price increases, the big feature in last year's inflation, were unchanged at 0.3 per cent, while manufactured goods rose by 0.1 per cent, also the same as in January. Falling oil prices fed through to a 7.3 per cent drop in fuel oil prices, and held back petrol price increases to 0.8 per cent. Car prices rose by 0.3 per cent on average.

## WORLD TRADE NEWS

# Brussels attacks 'narrow' Gatt dumping ruling

**By David Buchan in Brussels**

THE European Commission yesterday hit back at what it called the "extremely narrow" interpretation of international trade rules that has led a Gatt panel to rule against the EC's imposition of anti-dumping duties on certain EC-assembled products.

But Brussels gave no sign of how it would react to the panel's ruling against the EC's three-year-old measure which was designed to stop companies getting around dumping duties on complete products exported to the EC by simply shipping the parts to Europe and putting them together in "screwdriver" plants. The ruling will be presented to the full Gatt Council next Tuesday.

"All options are being reviewed", said one official, "ranging from total rejection *(of the ruling)* to total acceptance, with a middle option of revising our legislation, now or at the end of the Uruguay Round." The EC has urged its partners in the Uruguay Round to join it in writing specific anti-circumvention clauses into the Gatt anti-dumping code.

The likelihood that Brussels will steer this middle course is increased by the fact that the Commission recently proposed that Gatt participants should take rulings more seriously, and by the value which it has placed on its "screwdriver" law. "The circumvention of anti-dumping duties continues to give the Community cause for considerable concern," the Commission said in a statement, "because it is considered essential that the Community's trade protection measures in general and anti-dumping duties in particular are effective instruments of trade policy."

EC officials said it was absurd for the Gatt panel to regard "screwdriver" duties as internal taxes – which were discriminatory and therefore illegal under Gatt – simply because they were not collected at EC borders.

● European sub-contractors should gear themselves up to work for the increasing number of Japanese manufacturers in Europe before the latter bring in their own component suppliers, a Brussels Commissioner warned yesterday.

Mr Antonio Cardoso e Cunha, the Commissioner responsible for small business, announced he will bring together representatives of the 400 Japanese manufacturering companies based in Europe and of the EC's Ecus 100bn (£74bn) a year subcontracting industry at a conference in Brussels on June 21-22.

*Conference Coordinators: Business Briefings, 565 Fulham Road, London SW6 1ES, Fax 01.385 0974; France Pacific Consultants, 3 rue Friant, 75014 Paris, Fax (1)45 39 14 08.*

# US still committed to December deadline

**By Peter Montagnon**

THE Bush Administration still regards this December's ministerial meeting in Brussels as a deadline for completing the Uruguay Round despite a provision in the US Trade Act that would allow it to seek an extension of its negotiating authority from Congress.

Responding to suggestions that the round could drag on because the December deadline was not as urgent as originally thought, senior US trade officials said it was legally possible for the Administration to seek a 2¼ year extension of its negotiating authority. This runs out on March 1 next year.

But they said there was a strong risk Congress would reject such a request given public scepticism in the US about the usefulness of the round as a means of resolving the country's trade problems.

Requesting an extension would thus not be a practical option, especially if it followed a failure by the December Ministerial meeting *to achieve any* final result.

# UK council urges end to quotas on textiles

**By Peter Montagnon; World Trade Editor**

BRITAIN's National Consumer Council provoked a furious response from textile and garment makers yesterday after it published a report calling for the European Community to take the lead in international negotiations to abolish restraints on trade in textiles and clothing.

In a show of emotion that reveals the extreme sensitivity of the UK industry to this issue, the Apparel, Knitting and Textiles Alliance (AKT) described the Government-funded report as an "irresponsible misuse of public money."

The NCC seemed "ready to tolerate abusive trade practices like dumping, subsidies, outright theft of designs and brand names and the complete closure of some overseas markets to UK exports," the AKT said.

Abolition of the Multifibre Arrangement, which governs trade in textiles through an intricate web of quotas, is one of the leading items on the agenda of the Uruguay Round of multilateral trade negotiations.

AKT described the report, in which the NCC stressed the cost to consumers of protecting the textile industry, as "badly-researched, ill-informed and irresponsible."

Rejecting the criticism, Ms Diana Whitworth of the NCC *said consumer interests had* been ignored in trade policy matters for too long.

With its report, alongside a similar one on footwear also published yesterday, the NCC was trying to redress the balance.

The consumer lobby was not as well-resourced or wealthy as industry. "In the whole field of trade policy, it was difficult to get the consumer interest on to the agenda."

Although the situation was improving, it was very difficult to get European Community officials to talk to consumer organisations, the NCC argued.

The UK consumers council accepted that unfair trade could lead to a loss of jobs, she added, but it was important that the public was also made aware of the hidden cost of protection.

# OECD puts farm protection costs at $72bn

**By Peter Norman, Economics Correspondent**

PROTECTING agriculture *causes an annual income loss* in the main industrial countries equal to the combined gross domestic products of Ireland and New Zealand, according to a study from the Organisation for Economic Co-operation and Development.

*The Paris-based agency said* agricultural support in OECD countries has distorted the allocation of resources and acted as an export tax on non-food industries and services in its member countries.

Using a new econometric model, called Walras, the OECD calculated that agricultural support in its six main agricultural trading regions costs around $72bn a year in lost welfare at 1988 prices and exchange rates. The six countries or regions were Australia, *Canada, the EC, Japan, New* Zealand and the US.

The OECD's latest review of agricultural protection comes at an important time in the Uruguay round of multilateral trade negotiations, due to be concluded by the end of this year. *Liberalising agricultural* trade is an important part of the round, but there has been little recent movement in the positions of the European Community, the US and Japan.

The OECD made clear that agricultural protectionism has increased while the round has been in progress. Agriculture and food processing account for only about 6 per cent of total OECD output, butfarm protectionism is cutting household real incomes throughout the industrial world by almost 1 *per cent, it said.*

The OECD said the gain in household real income from the elimination of all agricultural support policies would range from 2.7 per cent a year in New Zealand to 0.3 per cent in the US. Japan and the EC would gain 1.1 per cent and 1.4 per cent respectively.

It added that the estimated $72bn of welfare loss from farm policies underestimated the potential impact of liberalisation on the world as a whole. Other industrial countries such as the members of the European Free Trade Area had high levels of agricultural support while developing countries would benefit if OECD nations opened their markets to their agricultural and food products.

World trade volumes of meat and dairy products would increase by more than 140 per cent and 240 per cent redspectively, with world market prices rising by almost 10 and 14 per cent if farm support was eliminated, the OECD said.

But of the six areas studied, only *Australia and New Zealand* would expand their agricultural sectors as a result of multilateral liberalisation. Japan's farm output would fall by 24 per cent and that of the EC by nearly 19 per cent. Canada, long regarded as one of the world's natural suppliers of agricultural products would see farm output drop by nearly 17 per cent while US farm output would fall 7 per cent.

● Western shipbuilding nations and their South Korean counterparts have made significant progress towards agreeing rules to curb state subsidies and other barriers to free competition, William Dawkins reports from Paris.

A two-day meeting at the OECD in Paris found "extensive common ground on the *major* elements of an accord" further to regulate government grants, cheap loans, assistance for research and development and other forms of industrial support for the shipbuilding industry, said officials. But "further work remains to be done," *said the OECD.*

*Modelling the Effects of Agricultural Policies, OECD Economic Studies No. 13. OECD, 2 rue André-Pascal, 75775 Paris Cedex 16. FF 110.*

# Reshaped Gatt looms out of Uruguay fog

**Peter Montagnon** looks at moves to create a formal international trade organisation

WHEN the Uruguay Round of multilateral trade negotiations was first launched in 1986, few people were concerned with the detail of how the world trading system would look when it ended. So dire were the protectionist dangers then prevailing that it seemed a big enough task simply to keep the show on the road for the four solid years of talk prescribed in the negotiating mandate.

Only now, with the round well into its final year, is a vista of the world beyond Uru*guay slowly looming out of the* negotiating fog.

Though all concerned acknowledge the risk that the talks could collapse in their closing stages, some participants are beginning to focus on the potentially far-reaching consequences for the General Agreement on Tariffs and Trade (Gatt) of the round actually being a success.

Twice already this year, Mr Renato Ruggiero, Italy's Trade Minister, has suggested that a successful round would require the Gatt to be re-established as *a fully fledged international* trade organisation.

Somewhat embarrassingly after over 40 years of existence, the Gatt remains a provisional agreement and not an organisation. It is staffed by a secretariat on lease from an otherwise moribund interim committee on trade reform. Yet when the Uruguay Round is over it will have to administer some two dozen separate legal arrangements as well as cope with an expanding membership of nearly 100 countries.

Underlying Mr Ruggiero's proposal is a fear that the present Gatt structure could not cope with the additional task of policing new rules on issues like trade in services, intellectual property and investment, all of which may be agreed in the Uruguay Round.

"The evolution," he says, "of the Gatt system into an inter*national trade organisation* and a real mechanism for dispute settlement are to my mind essential elements of the package of decisions which should be adopted in Brussels at the end of the Uruguay Round."

This idea is still controversial with his European colleagues, however. Some say they prefer to concentrate on finishing the round itself without being distracted by any new addition to the agenda. "We feel very strongly that you don't build the courthouse before you've written the laws," says a senior US trade official.

Yet Mr Ruggiero's proposal for institutional reform is not plucked entirely out of thin air. Privately, European trade officials say they are now starting behind the scenes to consider the institutional consequences to the Gatt of the Uruguay Round.

A debate is also under way in the academic community. Mr Ruggiero's proposal is echoed in the work of Mr John Jackson, a University of Michigan professor and a legal expert on the Gatt, who has called for the creation of a new umbrella organisation.

This would enshrine the core Gatt principles such as non-discrimination. It would command universal membership and be responsible for dispute settlement. Countries could then be selective about what specific subsidiary parts of the package they subscribed to, such as for example an agreement to liberalise trade in services or protect intellectual property.

Such an approach has the advantage of satisfying both those who say that Gatt should be a universal institution and those who are concerned that universality introduces a lowest-common-denominator element into the rule book, watering down the purity of Gatt's free trade principles.

In practice, however, it is not particularly popular. Developing countries generally view the idea of creating a new organisation with suspicion. Their concern is that it would devalue the United Nations Conference on Trade and Development which they *see* as their champion in international economic affairs. They also fear it would be used by the industrial countries, like the International Monetary Fund and World Bank, to impose unpopular policies on them.

Other legal experts argue that Mr Jackson's proposal simply is not necessary from a practical point of view. Despite its flimsy structure, which could be "tidied up" after the Uruguay round with little international fuss, Gatt has *coped satisfactorily in the past* and should continue to do so, they say.

Elsewhere, US economists such as Mr Gary Clyde Hufbauer of Georgetown University have argued in favour of creating a "super-Gatt" in the form of an OECD Free Trade and Investment Area. This would have much stricter disciplines than those adopted by the Gatt. As its name implies, it would extend in scope to regulatory activities such as those concerned with competition policy and investment.

These are rapidly coming to the fore as trade policy issues, *as is shown by the agenda of* the US negotiation with Japan on structural impediments to trade. The idea would be to start with a collection of like-minded OECD countries, for whom the new trade problems are often most acute, together with some of the most advanced developing countries such as South Korea.

The area would be slowly expanded to take in other countries and would thus in itself be a spur to liberalisation. But it would leave the Gatt behind and could alienate developing countries.

As the Uruguay Round draws towards its close, debate about the institutional future of the Gatt system is likely to intensify.

For the time being, however, trade officials are reluctant to *allow detailed discussion to* open up. The greatest danger is that grandiose schemes for recreating the Gatt could quickly become a smokescreen, behind which the politically difficult but more substantive aims of the Uruguay Round itself could be quietly consigned to oblivion.

## AMERICAN NEWS

# Mexico hopes to save $4bn a year on debt service

**By Richard Johns in Mexico City**

THE Mexican Government is expecting to save $4.05bn a year on average in debt service in 1990 to 1994, thanks to the agreement last month on the reduction of medium- and long-term debt with commercial banks.

The projection was announced after formal agreement in New York, late on Wednesday, of final details on the exchange of $41.56bn of old debt for 30-year US zero-coupon bonds.

The agreement was signed by Mr Angel Gurria, Under-secretary for International Financial Affairs at the Finance Ministry, and Mr William Rhodes, president of the 15-bank advisory committee of creditors.

As part of the agreement, the Mexican Government also issued $22.5bn of debt service reduction bonds which were exchanged for loans at face value, paying 6¼ per cent. The government also issued $11.6bn of bonds exchanged for debt purchased at a discount of 35 per cent from face value; these will pay interest at 13/16 over Libor. Also, Mexico drew down $371m in its first use of the new-money facility agreed in February.

Mr Gurria has outlined a strategy for generating more foreign finance for economic expansion, including new mechanisms for debt buy-backs and the reactivation of swaps for privatisations and infrastructure projects to the extent of $3.5bn agreed with the banks up to 1994.

Mexico's negotiations with the banks led to about $44bn of medium- and long-term public debt being renegotiated; if the fresh money option is included, the figure is closer to $49bn, or almost 60 per cent of the country's total foreign debt.

In its analysis of the accord, the Finance Ministry reckoned that the new bank loans – needed to cover the yawning current account deficit – will total $1.25bn over the period 1990-1992, with $666.5m or 53 per cent of the new loans being provided this year.

# Peronism to take a back seat to privatisation drive

Argentines are ready to accept the austere economic policies of President Menem, writes **Gary Mead**

TAXI-DRIVERS in Buenos Aires are generally cross, often rude, and sometimes cheats. More than 40,000 of them prowl the streets, wielding their black-and-yellow cabs like weapons against other drivers, pedestrians and stray animals. Around the world, taxi-drivers are *prime candidates for a straw* poll. Get their vote, and you have probably got a majority.

It is shocking to get into a Buenos Aires cab these days and hear the following: "Menem's got to sell whatever it takes, everything, but he's got to cut the state. This just can't go on any longer."

The news has filtered down. If it belongs to the state, sell it. Privatisation in Argentina is not some think-tank buzz word. To the people it has become synonymous with economic survival.

In retrospect Wednesday, March 24 may be recalled as the day when events turned in favour of President Carlos Menem. On that day half of Argentina's divided trades union movement, led by Mr Saul Ubaldini, called for a mass demonstration and 24-hour strike against Mr Menem's privatisation programme, according to which the majority of the 13 largest nationalised companies are to be sold.

By everyone's estimate, apart from left-wing extremists, the protest was a resounding failure. It attracted a crowd of at most 70,000 people. This was despite wage levels which have fallen to 55 per cent of their *purchasing power* one year ago, inflation which has averaged more than 60 per cent a month since last May, lay-offs which will probably affect 14 per cent of the industrial workforce this month and a record 7 per cent unemployment level.

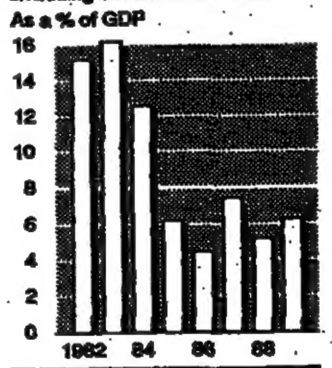
The low turnout was the clearest indication yet that Argentines may be prepared to accept austerity today, for the promise of greater stability tomorrow. An opinion poll published yesterday suggested that only 26 per cent of those questioned would today vote for Menem. But the low rating indicates little more than an understandable reaction to the current collapse in living standards, not a preparedness to take to the streets in opposition.

It is beginning to be understood by all major Argentine political forces that a state without foreign or domestic credit cannot support annual public sector losses in the region of $4bn, 1989's public sector companies' deficit.

**Argentina**

*Non-financial public sector deficit excluding central bank deficit*

As a % of GDP




In all public opinion polls, the sale of nationalised companies receives more than 70 per cent backing. Mr Menem has a mandate; the 70,000 demonstrators (out of almost 2m state sector workers who will be affected by privatisation) clearly do not. Moreover, Mr Menem has demonstrated in the last three weeks that he is prepared to confront his Peronist party – if not its underlying principles – in order to pursue Argentine economic efficiency. "A thousand strikes will not change our economic policy," he claimed.

If only Mr Menem had not contradicted himself so often in the past, his response to Mr Ubaldini's strike would now be given wider credit, and wider publicity. *But his determination* is likely to result in a pragmatic political accord with Mr Eduardo Angeloz, his Radical party opponent in last May's presidential election. It could also lead to renewed relations with the International Monetary Fund and a reining-in of renegade Peronist politicians.

One former sceptic and fierce critic of Mr Menem is Mr Guido di Tella, the Argentine ambassador to Washington and a highly regarded academic. In 1988 Mr di Tella supported Mr *Antonio Cafiero, governor of* Buenos Aires province, in his bid to win the Peronist presidential nomination.

He is now one of President Menem's strongest supporters, not out of party loyalty but because he is convinced that Menem has ditched the state-interventionist ideology he previously espoused. "I think his two trips to Europe before being elected President had considerable influence on Mr Menem," said Guido di Tella. "I remember him saying afterwards that if Gorbachev can dismantle the whole of communism to improve the Soviet Union's economic performance, surely we can do the same with Peronism in Argentina. *Of course, at the time it cre*ated a lot of argument, but I think he is determined to follow through with this course."

Mr Guillermo Alchouron, president of Argentina's most powerful farmers' organisation, the Rural Society, did not vote for Mr Menem. Nevertheless, Mr Alchouron is now a fervent supporter. "For Mr Menem, it does not matter what party you are from. He has chosen people he thinks can do the job. He has broken down party lines. A whole new set of political alliances are forming, with those who want to reform the state – shrink it, make the country efficient – against those who still think that the state should control everything, pay for everything. If you look at Mr Ubaldini's economic proposals, you see that there is nothing but wishful thinking."

In Argentina, the question is where such an ideological realignment leaves Peronism. According to Mr Adrian Gomez, a senior aide to the foreign minister, Mr Domingo Cavallo and a life-long Peronist activist, "Menem is not neglecting what have always been the three basic tenets of Peronism; social justice, economic independence, and polit*ical sovereignty. When Perón* first stated those principles they required state ownership of telephones, railways, airlines and so forth. Today, to continue state control over those and other areas of the economy means that we cannot provide decent education or health care to Argentines. The state we have today directly contradicts those three basic principles."

Whether the latest changes are little more than political sophistry or indicate a genuine desire to modernise the country's economy, there can be little doubt that so far few are prepared to stand with Mr Ubaldini against Mr Menem. Argentina is still a high-risk country, but one worry, that Mr Menem would cave in to his opponents within *his own* party and power base, the trade unions, has considerably dissipated in the last month.

# Brazilian official resigns

BRAZIL'S two-week-old government has suffered its first casualty with the resignation of a senior Economy Ministry official late on Wednesday, John Barham reports from São Paulo.

Mr Marcelo Paiva Abreu said he resigned as National Economics Secretary in protest at appointments made in his department by Ms Zélia Cardoso de Mello, Economy Minister. Mr Abreu, who was responsible for foreign trade, and industrial and domestic prices policy, said: "I objected to the choice of certain people but the commitment to liberalising *trade* has not changed."

Further resignationas are likely if, as seems probable, Congress sets April 4 as the deadline for officials to resign so as to qualify as candidates in the October Congressional and gubernatorial elections.

# Bush wins over Congress critics of Lithuania policy

**By Lionel Barber in Washington**

PRESIDENT George Bush has won high-level Congressional support for his policy on Lithuania, although it presumes that the survival of President Mikhail Gorbachev is more important than the Baltic republic's independence.

Mr Bush spelt out the importance of Mr Gorbachev's survival to the US (and to East-West relations) in talks with Republican leaders, and persuaded them to quell demands for more aggressive support of Lithuania.

After the meeting, Mr Newt Gingrich, conservative House Republican whip, said he had been "educated" by the Presi*dent: "We had a very spirited* exchange and he won."

Mr Bush won further support from Mr Tom Foley, House Speaker and Demcroatic leader: "I don't criticise the president at this moment, in recognising that circumstances are very delicate, very serious."

This week, Mr Bush has made clear in his private talks with Congressional leaders that any overt actions, such as recognition of an independent Lithuanian government, could lead to the use of military force by Mr Gorbachev.

Mr Bush has also stressed that, in the best judgement of the administration, Mr Gorbachev will have to grant Lithuania independence at some point.

However, Democratic Senator Patrick Moynihan said the US should propose that the World Court in the Hague set*tle Lithuania's independence* claims. "Only by holding Mr Gorbachev to his own professions about international law can we provide him a way out of this situation. The Soviet Union has no claim on Lithuania. It is stolen goods."

# US rejects Start ban on mobile land missiles

**By Lionel Barber**

THE US has decided against proposing a ban on mobile land-based missiles, in the forthcoming strategic arms *reduction talks (Start)* with the Soviet Union.

The proposal – backed by Mr Brent Scowcroft, President George Bush's National Security Adviser – would have barred future deployment of 50 US MX multi-warhead missiles and *the existing Soviet SS-24* missile system.

But it was opposed by Mr Richard Cheney, Defence Secretary, and other senior officials, who feared that a new proposal could make a Start agreement more difficult to reach *by the end of the year.*

By leaving mobile missiles out of the present talks, Mr Bush could be storing up trouble in Congress, where Democratic and Republican lawmakers have voiced doubts about funding both the rail-based MX and the single-warhead Midgetman missiles.

The Defence Department appears to be preparing to cut *spending on strategic weapons* over the next five years.

A classified memorandum, leaked to the Washington Post yesterday, suggests that Mr Cheney is seeking a 3 to 5 per cent cut in defence spending.

## Guerrilla 'executed'

Mr Manuel Perez, a former Roman Catholic priest from Spain who became leader of one of Colombia's main left-wing guerrilla groups, has been *executed by his followers*, Reuter reports from Bogotá. An army spokesman said Mr Perez was executed by the National Liberation Army after it had tried him on charges of financial and ideological irresponsibility.

# Study shows no global warming

A NEW satellite study of world temperatures over the past decade has found no evidence *of the global warming trend* predicted by many scientists, Reuter reports from Washington.

The new finding, published yesterday in Science magazine, will intensify debate in the scientific community over *whether world temperatures* are rising.

The latest report on global temperature trends is said by its authors – researchers from the National Aeronautics and Space Administration (Nasa) and the University of Alabama at Huntsville – to be the most reliable yet. It uses data gathered by satellites launched into the upper atmosphere in late 1978 by the US Commerce Department's National Oceanic and Atmospheric Administration.

# US spending intentions indicator rises

**By Anthony Harris in Washington**

US CONSUMERS feel more confident about their job prospects, although they are gloomier about the outlook for the *US economy as a whole, said* the Conference Board's March confidence survey.

This appears promising for cars, but demand for houses and household durables remains weak.

The board's confidence *index*, regarded as an important indicator of spending intentions, rose in March after staying weak for four months.

Board economists said consumers appeared to be responding to the continuing rapid growth in employment in recent months. Buying intentions for cars picked up; the survey had accurately projected the slump in car sales in recent months.

House buying intentions, though, weakened further. The industry still attributes the weakness of the house market to high mortgage rates, but demographers have forecast a steady weakening of demand for more than a decade ahead, as the rate of household formation is *falling* dramatically.

The official February figures for single-family house sales showed that they recovered 3.1 per cent from the depressed January figure to an annual rate of 607,000. The industry had looked for a rise to about the 632,000 annual rate achieved in December. December was cold, but February warm, so the market may be even weaker than suggested by the fact that sales in the first two months are some 9 per cent lower than a year earlier.

● US personal income rose 0.9 per cent in February, or 0.7 per cent (the same as in January) after deducting special factors, according to the Commerce Department.

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# US hi-tech companies played leading role in Iraqi 'sting'

By **Alan Friedman** in New York

THE 18-month undercover Anglo-American investigation which led to this week's foiling of Iraq's *attempt to smuggle nuclear detonators* from Heathrow Airport was successful thanks in large part to the co-operation of two US high-technology *companies.*

These are CSI Technologies, a California company that assembled the detonators and EG&G, a Massa*chusetts defence contractor* with long-standing ties to the US Government. The US-UK "sting" operation began 18 months ago when Euromac, a company in Thames Ditton in Surrey, made initial contact with CSI Technologies.

Two of the persons arrested at Heathrow on Wednesday are associated with Euromac. They are Mr Ali Ashour Daghir, a Euromac director with *Anglo-Iraqi nationality*, and Ms Jeanine Speckman, an aide to Mr Daghir. According to a UK official, Euromac was seeking to acquire *capacitors, the device which holds* the electrical charge that triggers a nuclear explosion.

CSI was immediately suspicious, apparently because the specifications given by Euromac suggested that the only application would have been to help detonate a nuclear warhead. The export of such devices, which are used in the US Midgetman nuclear warhead, requires State Department approval as it is on a list of sensitive munitions and related equipment.

Mr Jerold Kowalsky, the president of CSI, yesterday became an immediate hero in the Iraqi case when it was revealed that he had co-operated with the US Customs Service and *other US officials* by pretending to go along with the Iraqi request.

The other hero was Mr Daniel Supnick, an undercover agent for the Customs Service who posed as export director for CSI in meetings with Mr Daghir. While the Customs Service and CSI co-operated with the Iraqis, a production and reporting team from NBC News was allowed to film the preparation of the devices, their loading on a TWA flight from Los Angeles to London on March 19 (in a wooden crate with false markings), the shipment's arrival in London and the movements of Mr Daghir and his associates at a house in Thames Ditton. Footage was broadcast by NBC on Wednesday.

Meanwhile, in Massachusetts, Mr Donald Kerr, president of EG&G, a company that manufactures the detonators, known as krytrons, received a US Government request to produce 41 fake krytrons that were eventually substituted in London for the real ones shipped by CSI.

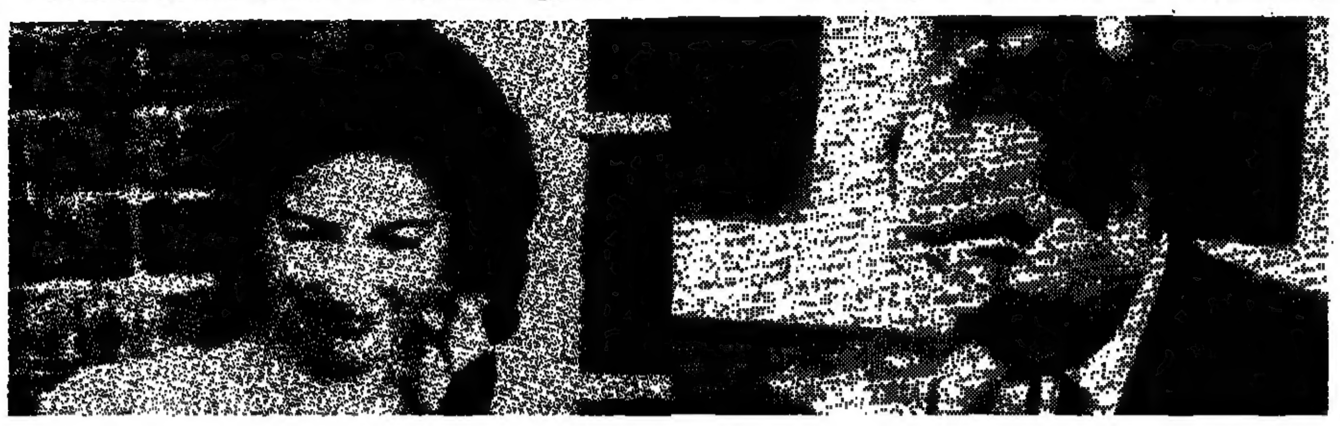
E G & G, a company with $1.65bn (£1bn) of 1989 sales, is experienced in nuclear facilities and has in the past supplied US government agencies.

Mr Gary Milhollin, a missile expert who has served as a consultant to the US Government, said yesterday it appears the Iraqis were seeking more than just the detonators. "It looks as though they were trying to buy the complete firing set for a thermonuclear device." It was not possible to reach Euromac yesterday, but it has been learned that the company, along with its Italian affiliate in Monza, near Milan, has been under surveillance by Western intelligence.

The name of Euromac first surfaced last autumn when it emerged that the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL), had committed $3bn of unauthorised loans to Iraq. *Up to $1bn of* the BNL funds which helped Baghdad to buy militarily useful technology for its missile and chemical weapons programmes.

Euromac was said to have been among the recipients of BNL money, a charge the Italian affiliate steadfastly denied.

Officials also believe that Euromac or its directors have had dealings with Iraqi-controlled companies in Britain that are involved in Baghdad's military procurement effort. It is not known whether the Technology and Development Group (TDG), an Iraqi-controlled UK company that received BNL money, was in touch with Euromac.



Two men and a woman appeared in a London court yesterday accused of being involved in an illegal attempt to export 40 nuclear trigger devices to Iraq, Jimmy Burns writes. Mr Ali Ashour Daghir (right), a director of a British company, Euromat, and Mr Toufic Fouad Amyuni, the company's Lebanese sales manager, were remanded in custody by Uxbridge Magistrates until next Thursday. The woman – described in court as an "export executive" – Ms Jeanine Celestine Speckman (left) – was released on bail until May 10. All three were charged that between March 20-28, at Heathrow airport and elsewhere in the UK, they were knowingly concerned in the attempted export of 40 electrical capacitors with intent to evade the prohibition enforced by the Export of Goods Order 1989, as amended, and contrary to section 68(2) of the Customs and Excise Management Act 1979. The legislation restricts export from the UK of sensitive military equipment.

# British 'business as usual'

By **Michael Skapinker**

BRITISH companies with interests in Iraq insisted yesterday that it was business as usual after the second blow to UK-Iraqi relations this month.

Northern Engineering Industries, the Newcastle-based company owned by Rolls-Royce, said it saw no threat to its work in Iraq. The company has a £75m contract to supply and install four 350MW *turbine* generators for an oil-fired power station at Al-Shemal, 250 miles north of Baghdad. Only about 10 of its employees are currently working in Iraq. Work on site is due to begin later this year and NEI said it saw no reason why the work should not go ahead.

A spokesman for Shell, which has a small office in Baghdad, said that "obviously we are very mindful of the overall political situation and we are monitoring it carefully."

A senior executive with a leading consulting engineering firm said that "when these political differences have arisen in the past... the people we deal with *there seem to* have the ability to separate commercial reality from political stances.

"Although Iraq has a ruthless regime, with its unfortunate side, the other side is that it's one of the straighter countries to work in. Any thought of corruption and *influence*-peddling is not tolerated.

"The events of the past couple of weeks have been particularly unfortunate and sad, but one has to recognise that this is a dictatorial regime that has been through a very bloody war that isn't officially fin*ished yet and in which they* sacrificed everything they had." He said he was not nervous about sending employees back to Iraq, although "I'd only send people who could handle themselves properly."

UK exports to Iraq totalled £450m last year. They were dominated by industrial and electrical machinery, scientific instruments and power generating equipment. Britain also exported *£44m of pharmaceuti*cal and medical goods to Iraq.

# Mandela to hold peace talks with Buthelezi

By **Patti Waldmeir** in Pietermaritzburg

SOUTH AFRICA'S two most powerful black leaders, Mr Nelson Mandela of the African National Congress (ANC) and Zulu chief, Mr Mangosuthu Buthelezi, are to meet on Monday for peace talks aimed at halting fighting in Natal province which has left at least 36 people dead since last Sunday.

The violence in Natal has claimed more than 2,000 lives since 1987.

Violence continued yesterday in black townships just outside the provincial capital of Pietermaritzburg, with at least 15 people killed in clashes between rival black factions. Residents in Henley township, where nearly all of the 15 died, said their homes had been attacked by supporters of the Zulu Inkatha movement headed by Chief Buthelezi.

The past few days have seen some of the worst fighting since clashes began three years ago between Inkatha and groups allied to the ANC.

"Surely we have reached the stage where the elimination of violence can and must be put above party political vested interests," Mr Buthelezi said in the KwaZulu homeland capital, Ulundi.

The two sides have been trying to agree a date and venue for such a meeting for several weeks, with Chief Buthelezi insisting the talks be held at Ulundi.

It was understood yesterday that the meeting would in fact take place at Taylors Halt, near Pietermaritzburg.

Community workers believe that the intervention of the two leaders, who have not met since before Mr Mandela was jailed in 1962, will be an important step towards defusing tension.

However, they believe the *loyalties of the various factions* to either of the two leaders are weak, and even a ceasefire agreement from the top might well not be enough to alter the culture of violence which has grown since 1986.

In Cape Town, the Government warned it would quell any township unrest and was determined to press ahead with its reform programme to give voteless blacks political rights and end apartheid racial segregation.

"The Government is determined and will employ all the means at its disposal to maintain law and order," Mr Gerrit Viljoen, Constitutional Development Minister, said.

He hinted that the Government planned to continue the series of sweeping reforms that have removed restrictions on black political activity, but said a commitment to peace by black leaders was "equally essential" before they would be allowed to negotiate with Pretoria on ending apartheid.

Mr Viljoen also announced a team of nine government ministers who will hold talks with ANC officials in Cape Town on April 11.

It will be the government's first formal meeting with its arch foe and is aimed at preparing for full political negotiations.

# Macao police quell visas riot

By **John Elliott** in Hong Kong

POLICE fired warning shots in the air and more than 1,000 people were arrested yesterday in the Portuguese enclave of Macao when more than 40,000 illegal Chinese immigrants flocked to the city's centre, hoping to be registered for permanent residency.

Several pregnant women were reported to have had miscarriages in the stampede through the *city's streets* and people were crushed, suffering broken bones. More than 70 were treated in hospital but by yesterday evening officials reported that calm had been restored. The problem arose on Wednesday when Macao started giving permanent registration to illegal immigrant parents of 4,200 children registered last year because they had either been born or were studying in Macao.

Desperate to legitimise their move across *the* border from China before Peking regains control over the enclave in 1999, more than 40,000 illegal immigrants gathered in the centre as rumours of a more general amnesty spread. Amid scenes of increasing panic and confusion, they were first directed to a police stadium and then on to a race track.

Macao's built-up border opens directly onto the Chinese special economic zone of Zhuhai and there is a constant stream of people, including illegal immigrants, between the two sides. There were reports that several thousand crossed the border during the past two days as rumours of the amnesty spread.

Those who are registered will be allowed *to continue* to live in Macao but they will not receive Portuguese-EC passports which are limited to about 90,000 residents born before Portugal's immigration laws were changed in 1980-81.

# Gandhi loses upper house veto

By **K.K. Sharma** in New Delhi

MR Rajiv Gandhi's Congress party yesterday suffered yet another setback when it lost control of the Rajya Sabha (India's upper house of parliament) after losing heavily in biennial elections.

Of the 70 seats that were contested, Congress held 44 but lost the rest to the ruling Janata Dal and its ally, the Hindu fundamentalist Bharatiya Jan*ata Party* (BJP) and other supporters of the national coalition.

Although Congress, as in the Lok Sabha (lower house of parliament) is the largest single party in the Rajya Sabha, it is now in a minority with 111 seats in the 244-member house. The results reflected the outcome of recent elections to the state legislatures since one-third of the members of the Rajya Sabha retire every two years and the state legislatures become the electoral college for election of their successors.

Congress lost the key states of the Hindi-speaking belt in northern and central India to the Janata Dal and the BJP in elections held in the past four months. Consequently, its candidates fared badly in yesterday's biennial elections to the Rajya Sabha. This means that the ruling National Front, with its allies like the BJP and the Marxists, has a clear path to pass legislation, apart from constitutional amendments which require a two-thirds majority.

Efforts to find a solution to the Punjab question will become difficult, with the withdrawal of support from the Government of the main Sikh party led by, Mr Simranjit Singh Mann.

Mr Mann said his withdrawal of support was in retaliation for the government's decision to postpone elections to the Punjab legislature.

# Bribe charges over Indian Airbus deal

By **K.K. Sharma** in New Delhi

INDIA'S Central Bureau of Investigation yesterday filed preliminary charges of bribery *and cheating in connection* with a Rs25bn (£914m) deal for the purchase of 31 Airbus A-320 aircraft in 1985 for Indian Airlines, the government-owned domestic carrier.

The CBI charge-sheet named four former officials of the state-owned airline, Indian Airlines and the Ministry of Civil Aviation as the accused and said other public servants – a term which would include poli*ticians in office* at the time – were involved.

Also mentioned are unnamed officials of Airbus *Industrie of France and* International Aero Engines of the US, the company that supplied engines for the Airbus aircraft.

*The preliminary* charge-sheet was filed after the CBI was asked to look into corruption allegations following the crash of an Airbus A-320 aircraft just before it was to land at Bangalore airport on February 14 1990.

The entire A-320 fleet of Indian Airlines has been grounded since then. A court of inquiry is investigating the cause of the crash.

The CBI has alleged that the Civil Aviation Ministry cancelled a letter of intent issued for the purchase of Boeing 757s for Indian Airlines, *disregarding* recommendations of a committee which examined offers from various companies. It alleges Airbus Industrie was then awarded the contract for the purchase of A-320s without a proper evaluation of the aircraft.

The original evaluation of various offers did not consider the A-320 because the aircraft was still at the testing stage. *The preliminary* charges allege that after the crash of an A-320 in June 1988, at Paris, serious doubts were expressed about the airworthiness of the aircraft.

It is alleged that the accused brushed aside all the objections and gave a favourable picture of the A-320, the purchase of which was then approved by the then government. The CBI will now begin *formal* investigations into the allegations both in India and abroad. Interpol's assistance is to be sought in the investigation.

# Vietnamese party wraps up against wind of change

## The collapse of communism in Europe has thrown Hanoi into confusion, writes **Roger Matthews**

FEW political events have caught expert commentators so thoroughly *off balance* as the rout of communist parties in eastern Europe.

Nevertheless, those with long experience in Asia assert confidently that the one place where it would be foolish to predict significant political change is Vietnam: a point brought home yesterday when Tran Xuan Bach, the one member of the 13-strong Politburo who had publicly argued for political reform, was abruptly sacked. And, if Vietnam does not change, then the prospects for neighbouring Laos and Cambodia are bleak, while booming Thailand can forget its grand scheme for transforming Indochina from battlefield to market place.

Mr Bach's crime was to have challenged the arguments for political rigidity which were reiterated at the party's diamond jubilee celebrations last month by Nguyen Van Linh. Regarded as a reformer when aged 71 he was appointed Party general secre*tary in 1986, Mr Linh recalled the* struggle to drive out the French and the Americans which led to the reunification of the country in 1975.

As he said, it opened up a new era for the nation, "of independence, freedom and socialism." But increasingly, especially for the younger generation who remember nothing of the war, the Communist Party of Vietnam will be judged more by its record in the *last 15 years than the previous 45.*

And, as Mr Linh has admitted, so many errors were committed after 1975 that "the socio-economic situation in our country fell into crisis, the people's life was extremely difficult and the confidence of the masses in the party went down." It was from that low base in 1986 that the party began the task of making itself relevant, domestically and internationally, to a world which was changing faster than the leadership could adapt.

It is now confused about how to react to changes in the Soviet Union and Eastern Europe but at the same time wants to learn from them. Reluctantly, the party leadership has been forced to admit radical changes are taking place, but it will still not publicly concede that the changes may be permanent. As ever, when the party senses bad news, it claims that there is insufficient evidence to make an objective analysis.

*Mr Bach disagreed and was quali*fied to do so. As the man in charge of the party's foreign relations, he, unlike most of his colleagues, had witnessed what was happening beyond Vietnam. In a speech earlier this year he said it was absurd to think that Asian communism was immune to changes elsewhere and, while giving no indication that he opposed one-party rule, stressed that political reform had to accompany economic liberalisation. "You cannot walk with one long leg and one short one," he said.

But sacking Mr Bach does not make Vietnam's choice any easier. The choice it faces is a tough one. Many of the older men at the senior levels of the party in Hanoi say that President Gorbachev has blundered. But if he does not redeem the error they are coming to appreciate the gravity of the consequences, political and economic, for Vietnam.

It would be naive to suppose that Moscow's political support for Hanoi can any longer be unqualified and foolish to expect economic aid, running at perhaps $1.5bn a year, to continue at present levels. Logic suggests an improvement in relations between the beleaguered regimes in Peking and Hanoi, but the Vietnamese fear the price that their old antagonist Deng Xiaoping would seek to extract on Cambodia.

*Internally the party recognises that* its priority must be to strengthen ties with the mass of the people. But by introducing a modest liberalisation of the economy while refusing to contemplate political change, the party leadership may have set itself an impossible task. Few of the younger, more capable Vietnamese appear to see any need to the join the party, *which in turn contributes to com*plaints about the poor quality of new recruits. This is particularly true in the south where not only is the party ignored by many young people, but is also subject to stern and increasingly public criticism from older revolutionaries with impeccable party credentials.

Nguyen Van Linh: 'So many errors were committed'

The pace with which the south has exploited new economic opportunities and *already shed part of its commu*nist skin inevitably causes alarm in the conservative north. Apparently superficial changes, such as Ho Chi Minh City being referred to increasingly as Saigon and hotels reverting to their names of 15 years ago, are symptomatic of a wider effort to test the limits of party tolerance. Paradoxically for the party, the more the country takes advantage of greater individual opportunities offered in the economic sphere, especially in agriculture, the more *ridiculous* the party's furious tirades against the political evils of individualism appear.

Either way the party is in a bind. If the market-oriented *reforms* continue – albeit under the euphemistic banner of socialist accounting – orthodox members of the leadership will have to swallow growing disparities of income, examples of conspicuous consumption, and a more emphatic reassertion of the north/south economic divide. And if they cannot cope *with such heresies the only* option will be to halt the reform programme, slow the pace of economic recovery and torpedo hopes of getting quick access to Western aid and capital.

Mr Bach's departure may help to underline just how irrelevant the Communist Party has become to easing Vietnam's problems in the 1990s.

# Angolan air crash

An Angolan airliner crashed on Tuesday in central Angola, killing all 25 people on board, *the official Angolan news* agency, Angop, said yesterday. Reuter reports from Lisbon.

Angop, monitored in Lisbon, said the Spanish-built CASA aircraft of Angola's national airline, Taag, was heading for Huambo when it crashed about 20 miles from the city of Cuito.

# Recession could ruin Hawke's record-breaking victory

## Australians have voted for more of the same, despite a sharp deterioration in the economy, writes **Chris Sherwell**

**AUSTRALIAN ELECTIONS**

FIVE weeks of agonising uncertainty, followed by five days of nail-biting, finally came to an end yester*day when the Labor party* was belatedly confirmed as the victor in last Saturday's closely-contested Australian federal election.

By any standards it is a remarkable triumph. Labor has for the first time won a fourth successive term. Even more remarkable, it has done so under the leadership of one man, Mr Bob Hawke.

The extraordinary measure of his latest achievement is evident from the poor state of the economy, as always the key issue in the campaign. If any election looked unloseable for the conservative coalition of the Liberal and National parties, it was this one, on this issue.

Mr Hawke currently presides over a country with one of the world's largest external debt burdens. *It also has* an unsustainable current account deficit, an inflation rate far higher than most of its trading part*ners, crippling loan and mort*gage interest rates and a declining reputation as an investment location because of a string of corporate collapses. To compound matters, it faces a recession-driven increase in unemployment.

This woeful catalogue of problems has been worsened by clear signs that Labor has run out of the energy and inclination to solve them, and by a pervasive sense that Australians are increasingly depressed *about* the country's political and economic prospects.

Despite this, the opposition *under Mr Andrew Peacock* was unable to convince voters that it had the policies and ability to take over. "The nation faced an invidious choice between the team that was past it and the team that wasn't up to it," one local commentator said *this week. The electorate*, he declared, voted narrowly for more of the same.

It was not as though the opposition had failed to define an alternative programme. It spelled out a radical change in the traditional centralised wage-fixing system, foreshadowed a tightening of fiscal policy, promised a two-tier income tax structure and a relaxation of the capital gains tax, and pledged faster structural reform with an emphasis on privatisation.

This was a programme which promised to carry the momentum of essential reform where Labor looked increasingly unable to go. But under *Mr Peacock the coalition failed* to prove the need for it, exhibited little conviction to implement it and displayed no sign of coping *with* the consequences of it.

Labor had its own story to tell. This featured solid eco*nomic expansion, jobs growth*, strong investment, systematic reforms to improve the tax system and above all, a seven-year "accord" with the trade union movement which had delivered both superannuation for workers and improved profits for *business.*

More importantly, Labor had the political skills, helped by the advantages of being in government and an audacious strategy, to come from behind. Mr Hawke called the election for March after twice relaxing the high interest rate regime and before evidence appeared of a contracting economy and rising unemployment. When that surfaced, his promises of interest rate falls looked unchallengeable.

Labor cultivated the "Green" lobby over a lengthy period, making controversial decisions not to proceed with export-oriented, resource-development projects

It also refined the successful marginal seats strategy of past elections. Labor realised it would lose ground in Victoria, where the *state* government had made costly misjudgments, but knew it could gain in Queensland, where the corrup*tion-tainted National* party was disgraced, and in New South Wales, where a Liberal-National state government was proving unpopular. In Labor-ruled Western Australia, where it also stood to lose ground, the party limited the damage by *removing the state premier.*

The final element was to reinforce voters' doubts about the unity of the opposition and about Mr Peacock's leadership skills. In particular, Labor criticised the opposition's budgetary plans and warned of the "chaos" that awaited the existing industrial relations system.

Now that it has won, however, Labor must grapple with problems which include a probable domestic recession which could be compounded by unfavourable international interest rate movements.

In the campaign Labor promised to reduce domestic interest rates after the poll, but there are doubts about how far it can go without weakening the currency. It also committed itself to a package of wage rises and tax cuts which will do nothing to improve inflation.

Significantly, the finance minister in the last govern*ment, Mr Peter Walsh*, warned earlier this week of the serious state of the economy and expressed concern that Labor's dependence on the "Green" vote will hamstring efforts to encourage growth and reduce the foreign debt and balance of payments deficit.

Finally, Labor must resolve once and for all the internal succession question – who is to succeed Mr Hawke? At 60, and clearly enjoying his heightened prestige, the prime minister looks less willing to move than ever. But it seems inconceivable that Mr Keating, his most likely successor, will wait for another election before ascending to the job he obviously covets. Mr Hawke's margin of victory is declining with each election he fights. Squeezing a fifth term out of him may be impossible.

For the Liberal-National coalition, it is small comfort that the economy is in such dire straits that this might have been the election to lose. The result is a disaster, and the coalition must re-examine itself before taking on Labor again. So far the failure to make headway outside Victoria has been blamed on the *Nationals*, prompting suggestions that they should merge with the Liberals to form a single conservative party.

More seriously, the fact that so little headway was made in New South Wales has raised the question of whether the opposition's economic programme – which some analysts regard as essential to arrest the country's long-term decline – is too *radical for an* Australian electorate which has yet to experience a full-blown economic crisis with its attendant pain.

The leadership is a further bone of contention. Having lost twice – in 1984 and 1990 – Mr Peacock is standing down. The most likely replacement is 43-year-old Dr John Hewson, the shadow treasurer who acquitted himself well during the campaign and was yesterday endorsed by Mr Peacock.

However, he has spent just three years in parliament, having enjoyed a meteoric rise through establishments like the Reserve Bank and the International Monetary Fund. But he only became shadow treasurer last year and until yesterday insisted that his sole ambition was to become treasurer. Now there is the prospect of a fight between Mr Keating and Mr Hewson to lead the country.

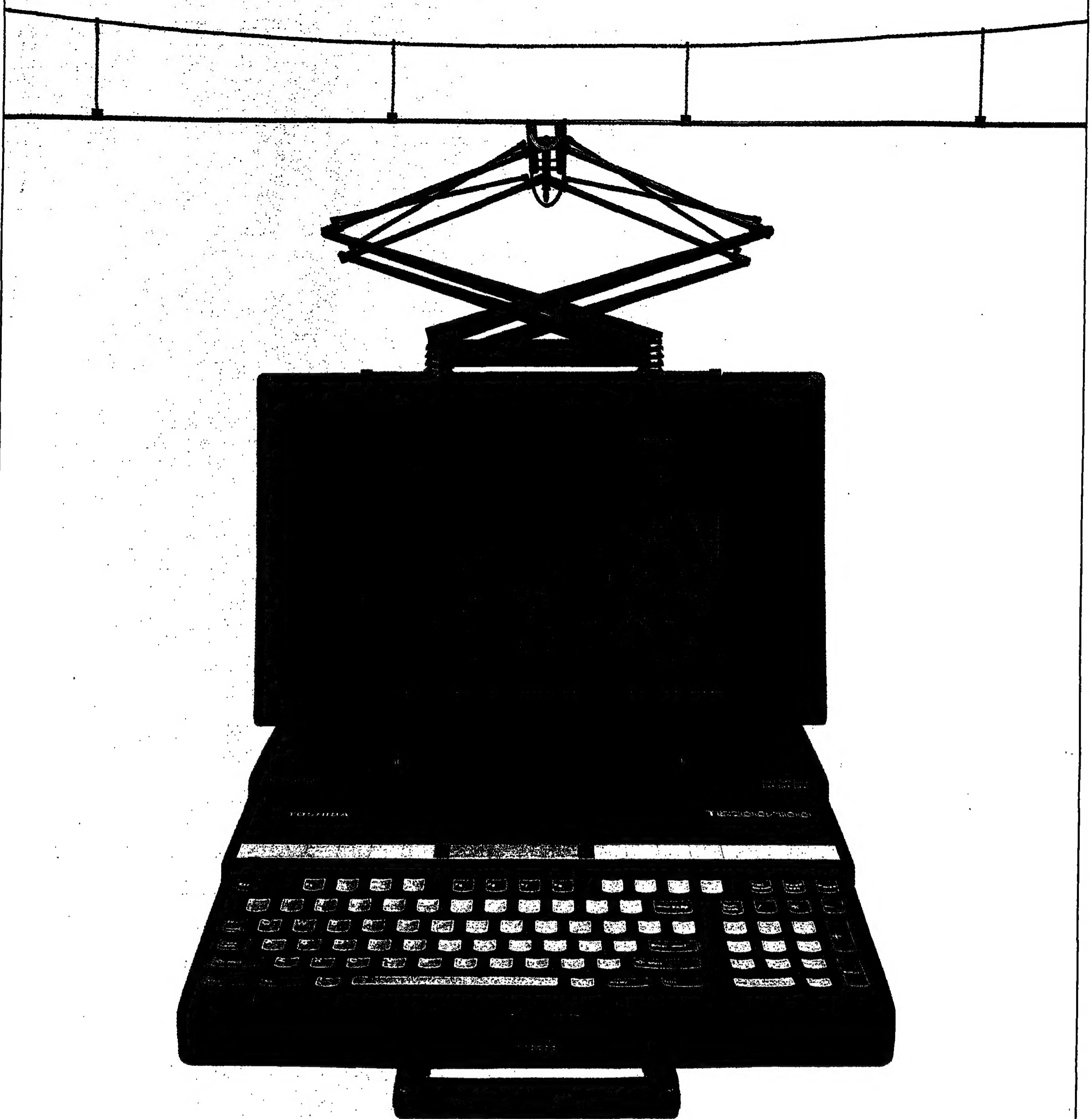
# Malaysia's trade surplus shrinks

By **Lim Siong Hoon** in Kuala Lumpur

MALAYSIA'S trade surplus decreased 43 per cent last year, from M$11.97bn (£2.72bn) in 1988 to M$6.94, the lowest level in five years, according to government figures.

Imports, most significantly of machinery, equipment and other manufactured goods, grew twice as fast as exports despite a cheap Malaysian dollar. The result is a dramatic reversal in the national current account from 1988's M$4.7bn surplus to a deficit last year. However, the amount of the deficit is disputed. The central bank puts it at around M$500m; others at between M$1bn and M$4bn.

Central bank intervention to support the currency and higher interest rates have illustrated strains on the economy.



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## UK NEWS

# Enron of US to build £700m power station

By Maurice Samuelson

AT LEAST four UK electricity boards are expected to invest in one of the world's biggest gas-fired power stations to be built at ICI's petrochemical complex at Wilton, Teesside, north-east England, over the next three years.

The Midlands, South West, South Wales and Northern Electricity Boards emerged yesterday as probable partners in the 1,725MW plant to be built and operated by the Enron Power Corporation of the US.

The are involved in advanced negotiations over purchasing the bulk of its electricity output and would take an equity shareholding in it.

All 12 distributors are due to be vested into the private sector this weekend, together with the big non-nuclear generating companies, the National Grid and the two Scottish utilities.

The Teesside plant, which will provide steam and electricity for ICI, is expected to cost more than £700m. At least another £1bn is expected to be spent by oil companies on a pipeline to supply it with gas from the Everest and Lomond fields in the North Sea.

Enron and ICI have already signed a letter of intent for a 15 year gas supply by the Amoco/Gas Council group believed to be worth about £7bn over the life of the contract.

The other members of the gas consortium are Amerada Hess and North Sea Inc.

Mr John Wing, Enron Power's chairman, said in London yesterday that eight Westinghouse gas turbines are being built for the plant in Japan by Mitsubishi.

John Brown Engineering and General Electric Company had tendered unsuccessfully for this contract. According to ICI, however, the orders for the plant's two large steam generators might be placed in Britain.

Its steam and its first 340 MW of electricity will be supplied to the ICI chemical works, and the rest of the power will go to the distribution comnpanies via the National Grid.

The MEB will take 500MW. Northern Electric 400MW and the South West and South Wales boards will each take 200MW.

# Porton: the story behind the barbed wire

**Peter Marsh** visits a sleepy village with an international reputation as 'Porton Down'

PORTON International, the biotechnology company funded to the extent of £76m by some of the UK's leading financial institutions, is well known in the pharmaceutical industry and the City of London

But in Porton, a small Wiltshire village after which the company is named, few people seem to know much about Porton International – or of Mr Wensley Haydon-Baillie, the company's reclusive chairman and founder.

"We have never heard of him here," said Mrs Mary Allen, who runs a garden centre.

There is equal ignorance about the Centre for Applied Microbiology and Research (Camar), a Health Department laboratory just outside the village and with which Mr Haydon-Baillie's company is closely associated.

There are several other government research centres and defence bases near to Camar, all within about a 10-mile radius of each other. Among them is the top secret Chemical Defence Establishment, which is involved in chemical weapons studies. While Camar and the chemical establishment are separate organisations, they are often referred to collectively as Porton Down.

In the early 1980s, Camar inspired Mr Haydon-Baillie to a great vision. This was that he might be able to use biotechnology ideas being researched in the laboratory – new techniques for manipulating genetic material – for the development of products within Porton International, which he set up in 1982.

Alan Harper

Porton: awaiting the Government's decision on its future deep in the countryside

In 1985, Mr Haydon-Baillie persuaded the Government to give his company an exclusive licence for commercialising inventions from the laboratory. This move inspired the confidence of City investors and helped the Porton International chairman to raise his £76m funding – one of the largest private placements made for a biotech company.

Since then, however, some of the shine has gone from Mr Haydon-Baillie's vision. The company has fallen well behind on its profits forecast and has failed to build a £20m fermentation plant at Camar which was part of the 1985 deal with the Government.

A new twist to the story could come in the next few weeks when Mr Kenneth Clarke, the Health Secretary, is due to decide on whether to sell Camar – complete with its staff of 600 and annual budget of about £10m – to Mr Haydon-Baillie's company.

The future of Camar, which monitors infectious diseases for the National Health Service and also undertakes a variety of commercial studies – has been uncertain for some years.

Its sale would fit in with the Government's policy of transferring publicly funded operations to the private sector. Some Labour MPs, however, say that the sale would damage the standing of an important laboratory conducting vital public health research.

The idea of selling Camar to Porton International has not gone down well with employees at the laboratory whose relationship with Mr Haydon Baillie's company has become markedly strained in recent years.

One employee at the laboratory said that there was "a mood of uncertainty" at Camar. "But we are all trying to get on with our jobs," she said.

Attempts at gauging the mood inside the plant were thwarted this week when a visit by the FT to the laboratory to speak Dr Peter Sutton, Camar's director, was cancelled at short notice. after Porton International advised Dr Peter Sutton, Camar's director, not to give interviews.

In the village of Porton, Camar, together with Porton International and Mr Haydon-Baillie, is also viewed as something of a mystery.

The laboratory was part of the Ministry of Defence and carried out research into germ warfare until 1979, when it was transferred to the Health Department. No one at Camar has been forced to sign the Official Secrets Act and the plant is no longer involved with weapons-related work, although its MoD history and the general secrecy at the plant has led many outsiders to believe that it is.

Secrecy associated with the laboratory is reinforced by the high barbed wire fence surrounding it and also by the presence of two policemen based near the gatehouse to deal with any unwanted visitors.

Mr David Pope, a farm foreman who lives a short distance from Camar's perimeter fence, said the people who worked in the laboratory generally did not mix with villagers.

If the debate about the future for Camar is failing to disturb the calm of Porton itself, the issue is still less a subject of conversation a few miles away in the bustling Cathedral City of Salisbury.

● *STAFF AT* the Centre for Applied Microbiology and Research have voted by a large majority against the proposed takeover of the laboratory by Porton International.

In a ballot of the 600 employees at the centre, 86 per cent of the 350 who filled in their ballot forms said they were against the company buying the laboratory from the Government. Of those voting, 75 per cent said they were against the general idea of privatising the centre.

## UK NEWS

# Consumer watcadog saysquotas hit prices

By Maggi Urry

QUOTAS nstricting imports of cheap shes from south-east Asia and eastern Europe are costing U consumers millions of pound a year, says one of two repots published by the National Consumer Council.

Import quotas on clothes have alredy resulted in fewer cheap clthes in shops, says the othe report, costing British consmers £1bn a year. Quotas lso limit choice, the NCC say.

The eports have already drawn citicism from clothing and focwear manufacturers. Mr Alln Nightingale, executive chirman of the Apparel, Knittin and Textiles Alliance, said th NCC report on clothing ws "badly researched, illinformd and irresponsible."

Mr Nicholas Calvert, director of the British Footwear Manuacturers' Association, pointd out that two-thirds of the shes sold in the UK are impoved.

The European Commission is stdying proposed EC-wide quots on shoe imports from South Korea and Taiwan. The NCC eport says that consumers' nterests have not been consiered as part of this stud; Lady Wilcox, chairman of th NCC, said yesterday, "it is astory of decisions being take behind closed doors, withut consumers' representaties even being consulted."

Bitish clothing and footwer companies have frequetly blamed rising imports forfactory closures and job loses. Mr Calvert reckoned the 30,000 to 40,000 of the jot lost in the UK footwear inustry over the last 30 years, cold be attributed to rising imorts.

he NCC report argues, thugh, that the cost of saving jos by restricting imports is to high.

*International Trade and the Csumer: Textiles and Clothes, ad Shoes, £8 each from National Consumer Council, 20 Grosvenor Gardens, London SW1W ODH.*

Home buyers, savers to benefit

# Bank customers promised new code of rights

By David Barchard

NEW SAFEGUARDS covering the rights of personal customers of banks and building societies, the home loan and savings institutions, were promised in a Government policy document yesterday.

It formed the Government's formal response to the Jack Committee report, published in February last year, on the legal framework for bank-customer relations.

The most radical innovation proposed is that banks be given the power to issue a new payment instrument - the truncated cheque - for sums up to a fixed limited. This would enable banks to cut some of their costs on cheques which have to be returned to the issuing branch.

Other changes in the law proposed are the introduction of a maximum £50 customer liability on lost or stolen debit cards and the banning of sending unsolicited debit cards and personal identification numbers through the post.

The document also proposes to make banks rather than their customers liable if their electronic funds transfer equipment fails.

The Government said that it welcomed the central recommendation of the Jack Report that banks and building societies should prepare a voluntary code of banking practice to give customers clear rights.

The voluntary code is being drawn up by an independent committee chaired by Sir George Blunden, the former deputy governor of the Bank of England, and set up earlier this month by the British Bankers Association, the Building Societies Assocation, and the Association for Payment Services. It plans to have most of the code completed by early next year.

The introduction of a voluntary code means that only a limited number of changes in the law will be needed. The policy document indicates that legislation will be introduced to achieve outstanding measures.

Contract worth £300m crucial for GEC's Ferranti Defence Systems

# Delay in Eurofighter radar system project

By David White, Defence Correspondent

A DEAL giving the go-ahead to a British radar design for the four-nation European Fighter Aircraft project has been held up by last-minute negotiating difficulties.

Talks on the final agreement have already taken at least six weeks longer than British and West German officials had expected when they reached an outline settlement in January, ending a two-year deadlock.

The contract, worth about £300m for the development phase, is crucial to the future of the Edinburgh-based Ferranti Defence Systems, recently bought by General Electric Company from the troubled Ferranti International group.

Ferranti Defence Systems, which heads an international consortium for the ECR90 radar, is hoping to receive a firm contract next month from Eurofighter, the Munich-based company handling the EFA programme.

Difficulties have centred on the exact terms of the UK's commitment to indemnify West Germany by up to DM 200m (£72m) to cover any cost overruns if the Ferranti-designed radar fails to meet its targets.

That was one of the main conditions set by Bonn for accepting the ECR90 system.

Telefunken System Technik (TST), a Daimler-Benz subsidiary, which was leading the rival German-backed project, has meanwhile taken over from Siemens as the main German partner in the Ferranti consortium.

In the first stages of EFA negotiations, Ferranti and TST – then known as AEG – were the nominated UK and German radar companies. After the German company formed its separate consotrium, Ferranti turned to Siemens to fill the vacuum.

However, the West German authorities favour a clear division of reponsibilities in the radar field, with TST leading in airborne radar and Siemens, in ground systems.

# Shell to take leaded petrol price above £2 a gallon

By Maurice Samuelson

THE PRICE of leaded petrol is set to top £2 a gallon for the first time in five years following yesterday's decision by Shell to add 5.4p to a gallon of standard four-star.

Prices of unleaded brands will also go up but will remain below £2. Ordinary unleaded will go up 5.4p (to 191.4p), and Super Plus Unleaded by 3.6p (to 199.6p).

Other distributors are expected to follow suit, although most say they are waiting to study the trend in oil prices over the next few days before making their decision.

Shell, the country's second biggest distributor after Esso, blamed the latest increase in the sharp rise of prices on the Rotterdam spot market.

Esso, the biggest distributor, said it had "no plans at present" to raise prices, but that it was determined to remain competitive.

BP Oil, third in the distribution table, said it would monitor the market "carefully" over the next few days.

# Stake in largest independent TV company up for sale

By David Owen

A POTENTIALLY controlling stake in Thames Television, the UK's largest ITV company, was formally put up for sale with the announcement that BET and Thorn EMI have appointed Baring Brothers to dispose of their respective holdings.

The move represents the first time that a majority stake in an ITV company has gone on offer. It is likely to presage an intensive bout of corporate activity in the sector in the wake of the legislation on broadcasting before Parliament.

BET and Thorn EMI each hold 13.8m shares in Thames, representing a combined stake of 56 per cent. In both cases, the decision to dispose of the holdings is consistent with stated corporate strategies of concentrating on core businesses.

Luxemburg-based CLT and Carlton Communications are among a host of potential bidders for part or all of the stake on offer. Lex, Page 9

GUINNESS TRIAL

# Lyons told ZKB banker 'you won't lose' on shares investment

By Raymond Hughes, Law Courts Correspondent

MILLIONAIRE financier Sir Jack Lyons recommended an Austrian banker to invest in Guinness shares, telling him "you won't lose", the Guinness trial heard yesterday.

Dr Horst Tiefenthaler, former London manager of Zentralsparkasse und Kommerzial Bank (ZKB) said Sir Jack had made the suggestion during lunch at a Mayfair club on April 15 1986, a few days before Guinness's £2.7bn bid for Distillers went unconditional.

Dr Tiefenthaler said that Sir Jack had suggested that Guinness shares would be a very good investment for ZKB. Dr Tiefenthaler had at first expressed doubts because ZKB had not done a transaction of that kind in the UK before.

"I said, if we do it it won't be for a large amount, and he said, it doesn't matter – giving me the feeling it was a good deal for us. He said the shares would go up to £4 shortly in his opinion, and needless to say I was interested. I asked what was the amount he would consider feasible and he said even £2m to £3m would be feasible."

Mr John Chadwick, QC, prosecuting, asked whether anything had been said about the shares going down.

Yes, replied Dr Tiefenthaler, it had been mentioned very casually. "Sir Jack said, 'in any event you won't lose on the transaction'."

Sir Jack had not mentioned indemnities, he added.

"He said, 'you will be covered' or 'we will cover you'. The word 'we' was mentioned very often. No names were mentioned."

Mr Chadwick: "What did you understand him to mean by the word 'cover'?"

Dr Tiefenthaler: "That we would not incur a loss."

Who, Mr Chadwick asked, had Dr Tiefenthaler thought "we" might be in the phrase "we will cover you"?

Management consultants Bain & Co, with which Sir Jack was involved, and which had a close relationship with Guinness, and Guinness itself, Dr Tiefenthaler said.

He said that Sir Jack had said that the sooner any investment was made the better. Dr Tiefenthaler had contacted his head office in Vienna, telling them that Sir Jack had said the bank would not incur a loss, that it was covered, and that it was in for a potential gain on the share price, even if the price went down.

He said he had asked Sir Jack's advice about a reliable stockbroker and Sir Jack had suggested Mr Anthony Parnes and Alexander Laing & Cruickshank. Dr Tiefenthaler had told Mr Parnes ZKB was prepared to buy £2m of Guinness shares. Within 48 hours the deal had gone through.

Dr Tiefenthaler was giving evidence in the trial of Mr Ernest Saunders, former chairman and chief executive of Guinness, Mr Gerald Ronson, Heron group chairman, Mr Parnes and Sir Jack Lyons. They deny charges arising from an allegedly unlawful share support operation mounted by Guinness during the takeover battle with Argyll for Distillers.

The trial continues today.

## THE PROPERTY MARKET

# Budget pushes unit trusts along

**By Paul Cheeseright**

Eight years of talking, report writing, regulating, negotiating and a new property investment vehicle may – just may – be in the offing.

It is the authorised property unit trust. At least it stands a better chance of seeing the light of day than the proposed single asset property schemes – the single property ownership trusts and the property income certificates which attracted so much debate between 1986 and 1988.

The reason is the change in the tax regulation for unit trusts that the Inland Revenue announced in the Budget. From January 1 1991, the problem of double taxation almost disappears. If a company invests in a unit trust, it will have to pay 35 per cent corporation tax on the income it receives. But it will receive a tax credit at the basic rate of income tax – 25 per cent – for the tax paid by the trust.

Inland Revenue observed that life assurance companies are the main corporate investors in authorised unit trusts. As their rate of corporation tax on income attributable to policy holders is the same as the basic rate of income tax, their tax liability on unit trust income is wholly covered by the tax credit.

Here then is the tax transparency – paying tax once – that was not given to the single property schemes and led to them being stillborn.

So it is a fair bet that with tax transparency agreed for authorised unit trusts investing in a number of properties, an attempt will be made to have the treatment extended to trusts investing in only one property.

Whether there will be a rush to set up authorised property unit trusts is open to doubt.

The first point here is that there is no immediate hurry.

Although the tax position is now settled, the Department of Trade and Industry (DTI) and Securities and Investments Board (SIB) regulations are still in draft form. The drafts are circulating with an invitation for comments to be made by June.

This suggests final promulgation in the autumn.

However, the form permitted to the trusts will probably not be much different from that outlined in the drafts.

The key elements in the DTI draft are that a new trust cannot buy a property until it has £5m subscribed. There has to be a spread of investments – "no single property may account for more than 15 per cent of the fund at the time it is acquired."

Rental income must come from a diverse sources – not more than 20 per cent from any one company – and no more than 20 per cent of the fund can be in properties being developed or refurbished.

Further, there must be some liquidity in the fund – not more than 80 per cent of it may be in properties or in securities related to property.

The SIB draft regulations complement these and stress regular valuation of the properties held by a trust.

There should be a full annual valuation and reviews at least monthly. Trust units should be priced at least monthly. When sold the units will carry a sort of health warning pointing out the risks of illiquidity.

**The present climate is not friendly to new property investment**

The second point about timing relates to the state of the market. The climate is not friendly to new property investment as is clearly evident from the sagging prices of property companies on the stock market and the virtual absence of new issues.

Further, the pension funds and charities which invest in unauthorised property unit trusts – those not open to public subscription – are seeking the redemption of more units than they are buying.

But this argument can be twisted around the other way.

If returns on the property market are sagging then the possibility exists to buy properties, leased on good covenants, producing a higher income yield than would be possible in a more buoyant market.

Therefore, it might be said, the time to invest is ideal.

Thirdly, the nature of the trusts themselves is a reason for caution. The SIB, in the drafting of its batch of regulations, was most worried about the illiquidity of property investment, traditionally its bugbear. This concern still exists in the investment community.

Mr James Dawnay, the chairman of Mercury Fund Managers, noted that within his group a debate was taking place about whether to launch new trusts. He said there appeared to be "an inclination to duck it" largely because, although it was easy to recognise the intrinsic value in property, there was doubt whether there would be sufficient liquidity for a retail product.

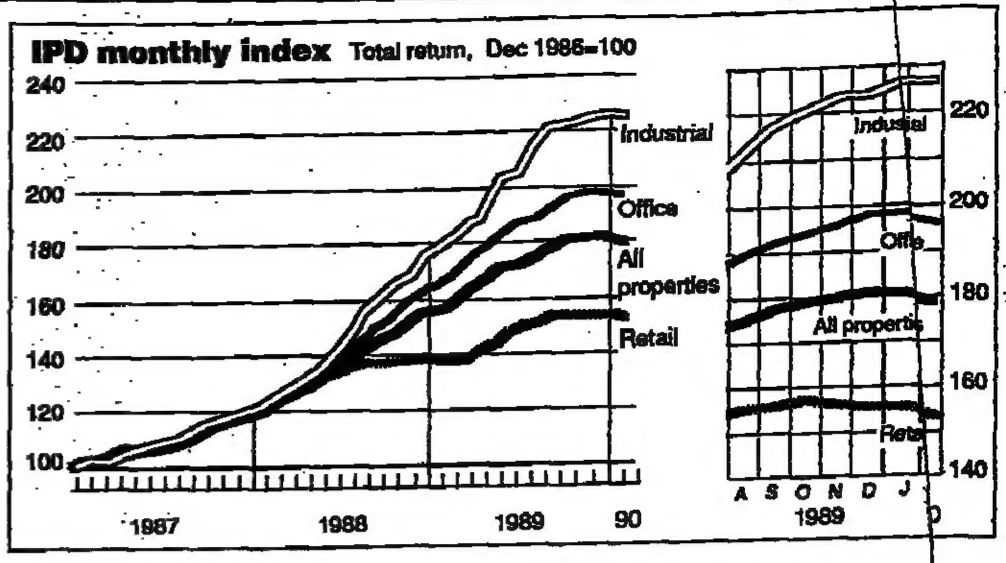
Mr Dawnay noted that Mercury already managed property funds for institutional investors but such investors "take a longer-term view than the unit trust holders would expect to take."

None of this says that the new trusts will not work. It is more to reflect the fund manager's fears of a sudden rush to redeem units and an inability to lay hands on the cash to meet the demand.

But there are wider points at play with the unit trust issue than technical fears about liquidity and fluctuations of the market. France has had similar investment vehicles for 20 years and Australia has had mixed results with them for 30.

The successful launch of the trusts would break in to the staid and limited style of British property investment techniques. "There is great change potentially, somewhere in the offing," said Mr Colin Vaughan, of chartered surveyors Debenham Tewson & Chinnocks, a long-time advocate of a wider investment public for property.

The argument here is that trusts could be the first of a series of steps leading to a whole variety of different investment vehicles – single asset schemes, property futures funds. The greater the variety of investment possibilities the more open the market will become.




# Downturn continues

THE downturn on the market continued in February. The decline in growth spread across all sectors and for the first time in the present cycle there was a negative return for all properties. The Investment Property Databank reported that institutions sold, by value, twice as much property over the year to February 1990 than in the year before.

Year-on-year growth in the market has sharply decelerated, sliding from 30.6 per cent in the year to February 1989 to 12.7 per cent in the year to February 1990. For the last three months, capital growth for all properties has been negative, so that the growth in the last year has slowed to roughly the rate of inflation.

Decline in growth during February was most strongly marked in the offices sector, indicating that its relative stability of performance over recent months has started to dissipate. The IPD noted that "although retail returns have been negative since November, this is the first time in the cycle that offices have had a negative return."

In the quarter to February, the capital value of offices fell by 1 per cent, retail property by 2.6 per cent and industrial property by 0.1 per cent. Yields have been moving out.

There is still an element of rental growth. For both retail property and offices it was 0.3 per cent during February, making respectively 1.2 per cent and 2.6 per cent for the quarter to February. Rental growth remained strong in the industrial sector at 1.1 per cent for February and 4.2 per cent for the February quarter.

But in terms of total returns, industrials, the star of the market for two years, are caught in the downward spiral. Total returns for the year to February 1989 were 47.1 per cent; in the year to February 1990 they were 24.2 per cent.

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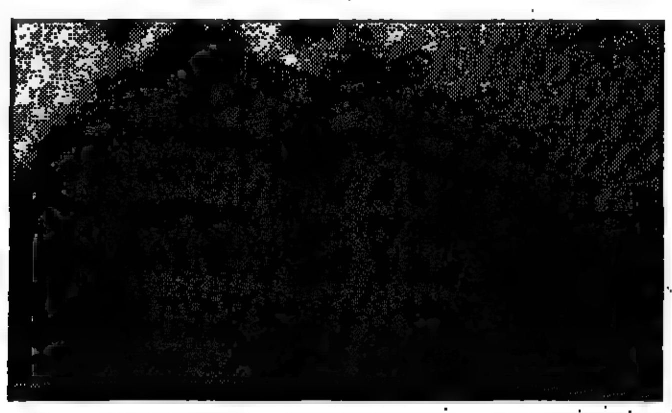

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## COMMERCIAL PROPERTY

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MANAGEMENT: Re-shaping BP

# A cultural revolution that sets out to supplant hierarchy with informality

**Christopher Lorenz** concludes his 'fly-on-the-wall' series by examining the scale of the challenge which faces the oil giant

If a manager has got to the top by behaving for years like a military commander who is always checking on his subordinates, it is extremely hard for him or her to start delegating real power, and trusting the recipients to use it well.

Yet that is precisely what executives across BP, the oil and chemicals giant, are being expected to do from this month as part of the change in behaviour and culture unleashed by the group's new chairman, to make BP a leaner, more motivated and faster-moving corporation.

One BP wag has dubbed the process of change "Horticulture." But it is no joking matter. Unless Horton and his senior colleagues can really loosen the reins and encourage much more trust, open communication, informality and risk-taking, the company's attempt to implement a new set of values will not merely fail to take root through the company, but will actually provoke a backlash of cynicism.

Inevitably, the American-style three-page "vision and values" statement, which Horton has just sent to all employees, has already sparked some scepticism, even though the change process as a whole is being welcomed throughout most of BP as long overdue.

Among many other things, the statement commits BP to: creating a trusting internal environment; encouraging employees to strike a balance between work and their home life; behaving not primarily as an "asset-trading" company (in contrast with its style in the past few years); and striving to be an industry leader in safety and environmental matters.

An outburst of real cynicism about BP's seriousness in espousing its new values would seriously undermine the effectiveness of the newly-streamlined head office structure and group management process which were announced last week; as Horton's "Project 1990" team of reformers have told top management several times, BP's new changes in structure, processes and culture "are a three-legged stool: without one of the legs it will fall over."

"Everything hinges on whether all of us – including top management – can walk as we talk," a private pre-launch discussion between the company's senior 100 managers was told by one executive a fortnight ago today.

The challenge of "walk as we talk" is a stern test for everyone who has struggled to the top of BP over the past 20 years by practising precisely the values which Horton and co are now trying to change.

Take John Browne, a 42-year-old who has risen at breakneck speed to head BP Exploration (BPX) which, with revenues of £7bn and a labour force of nearly 11,000, is BP's second largest "business stream" (division).

Only last September, as part of a sharp cutback in jobs and management layers, he put out a booklet on BPX's new structure and organisation which was written in a fashion redolent of BP's old "command and control" culture. But only eight weeks later he was talking very differently: "That's the last time I'll use that sort of language," he said.

Several things had happened to cause the change, including the fact that he had been working since the summer with an American consultant who had been involved closely with the

**"Everything hinges on whether all of us — including top management — can walk as we talk"**

management of change at Ford and General Electric.

He had also taken part in October with his senior colleagues in an intensive workshop on the creation of organisational change. In parallel, BP's corporate-wide "Project 1990" process of preparing for change was reinforcing these BPX initiatives.

By mid-November, Browne was prepared to talk openly about the difficulties he and his executive committee were having in adapting to a new style.

"I have to keep asking whether I should restrain myself in this or that situation," he says. "People are amazed at the way I've been saying, when they bring an issue to me, 'I can help you if you insist, but it's your decision!'." As one of Browne's senior managers puts it, "he's showing a lot of courage in the way he's presenting himself for self-renewal."

Browne also reported that his top executives had been having what he called "a fit of lack of confidence" about open communication – even among themselves. "One person set about demonstrating he was a leader in a way that crucified the others, by destroying their proposals in the old BP style," Browne says. He had to read the riot act - which he says has had an excellent effect.

Similar problems are starting to be confronted in BP Oil, the group's largest business stream; for insiders, one of the biggest surprises of the past few months has been the conversion of Oil's chief executive, Russell Seal, to the new principles.

Throughout the group, not just in BPX and Oil, "the question is how soon the organisation can discipline itself to behave in a new way – especially those people who are by nature interventionists," says David Simon, BP's deputy chairman and chief operating officer.

A 50-year-old who epitomises the old style at least as much as Browne, Simon was expected by many insiders to be a conservative brake on the culture change process, but he is turning out to be one of its strongest champions.

For the remaining doubters, he demonstrated his commitment via a virtuoso performance of motivational mastery in front of the 100 participants at the pre-launch meeting a fortnight ago today; if the drab BP conference hall in London had been a theatre, and its dais a stage, he would have won a standing ovation.

"There is still a need for managers to keep challenging decisions which come up to them," he says in conversation. "But there's too much referring upwards. I'm trying to change, by saying to people 'why are you asking me that question?'."

As Simon says: "We've got to get used to managing by exception, yet picking up the tab. Everyone at the top will find it very difficult – it's a helluva responsibility for us. We won't get the shift of style throughout the company until everyone at head office signals clearly and consistently what sort of behaviour it wants – and doesn't want – from the businesses [divisions]."

David Simon: a virtuoso performance

Hence the symbolic significance to the whole of BP of last week's announcements of the way in which the new, much slimmer, head office will work: no longer in large, formal, hierarchical departments, but in small, flexible teams, many of them cross-functional, and some of them temporary.

Instead of formal organigrams, the emphasis will be on informal "networking", in which a broad group of people – not just at head office but in the businesses too – communicate openly and informally as the need arises. Each team does have a leader but, in the words of an internal Project 1990 document: "Managers are there to support and empower their staff, not to monitor or control their activities."

David Simon reassures the more conservative of his colleagues that "networking is about removing the hierarchy – which we all used to avoid anyway." In reality, the new system needs to be very different from the old: open, rather than clannish, and heavily reliant on professional personal relationships complemented by advanced data networks, rather than just on conversations at the bar and on the golf course.

Various parts of BP do already have electronic mail networks, but they have been designed with little thought to intercommunication, as Robert Horton himself found a few months ago when he tried to use it to communicate with the chief executive of BP Chemicals. The introduction of a new, group-wide, communications infrastructure is one of the main initiatives which is planned to support the new way of working.

Equally important are new approaches to staff development, grading, appraisal and remuneration (see last Friday's article). As Horton says, the desired changes in culture and behaviour "won't come until rewards reinforce the new BP values, instead of the old."

Among the innovations expected by the end of this year are appraisal and reward systems which encourage both long-term performance and teamwork. "Our current appraisal system is wholly deficient to tackle team-working," says Horton.

The appraisal system throughout BP will also be changed in order to focus more explicitly on interpersonal skills, including the ability to motivate and bring out the best in staff. Along with appraisal by more than one manager, BP is considering self-appraisal and even the appraisal of team leaders and managers by their staff. Job grading, with more than 20 levels at present, will be replaced progressively by the grading of individuals within wide bands.

How networking will operate in practice has still to be seen; as Horton himself says, it has become commonplace for consultants and business academics to talk about abandoning hierarchies and replacing them with "informal organisations", but "there are few examples so far of it having been successful on the scale that we're going to do it."

Networking, along with associated changes in "human resource" (personnel) processes, has been one of the main topics of discussion at the second of two "culture change" workshops for team leaders which was held yesterday and today, as one of the first steps in what Horton expects to be a culture change programme lasting up to three years (some of his colleagues think it will take five).

The next stage in the process will be a series of broadly similar sessions for 250 other senior managers which will be started in the late spring.

More or less in parallel, the head office culture change principles will be fed into the various processes which have been under way in BP's different businesses since at least last year: John Browne's at BPX, an older "total quality management" (TQM) programme at Chemicals, and "the way we do things around here" at BP Oil. Harmonising the messages of these very different initiatives will provide a major challenge for BP over the next few months.

**Can Horton, having initiated the culture change process, live up to its principles himself?**

In the meantime all eyes are on Robert Horton himself. Can he, having initiated the culture change process, actually live up to its principles himself? The question may seem perverse, but it is a vital one which many insiders are asking.

At the pre-launch conference a fortnight ago, one senior executive expressed his doubts succinctly in a syndicate discussion: "Do we *really* think Bob is going to stop second-guessing his top colleagues? That's the only way all this change will work: if the top man behaves differently, managers will take their cue."

Behind the doubts lies the fact that, by his own admission, Horton is naturally a "theory X manager: autocratic and impatient with people who don't make up their minds quickly." That is, after all, one of the characteristics which got him where it did in the "old" BP.

Horton may have recognised, as he puts it, that "this is not the way to attract and motivate good people," nor to run a complex international organisation in today's fast-moving competitive and regulatory environment.

But, as one senior BP manager said last autumn: "Bob wants to have his cake and eat it. He wants this organisation to be avant-garde and to set management standards for the early part of the 20th century [Horton often talks enthusiastically about "putting BP in the vanguard"].

But I don't believe he'll really change his spots," the manager continued. "If he trusts you, you get delegated authority heaped upon you. But he will want to be involved in every significant decision. He's saying 'I demand the accolade of the one while retaining the discipline of the other.' The character of the man is to direct strongly – he instinctively wants to be seen as *hands-on*. But he also wants to be seen as an innovative leader."

To Horton himself, and to John Browne, this tension between opposing characteristics is part-and-parcel of leadership, especially in today's complex climate. "There's always a great contradiction between control and support, direction and participative management," says Browne; "the key is trying to vary them. If you manage on one dimension, it's not enough – it's a matter of ambiguity and paradox."

Whether this subtle yet powerful principle will be enough to reassure the doubting Thomases remains to be seen. But Horton says he really is determined to change. At the end of the day-long meeting a fortnight ago, after doubts about his style had surfaced several times, his parting shot to everyone was – "This is one of the most important days in the history of BP. We must go away and *do* what we say we're going to do. By our own example we can achieve a lot. You have my undertaking that you'll get that from me."

*The previous articles in this series appeared on March 20, 23 and 26.*

## TECHNOLOGY

**Clive Cookson** visits Courtaulds and examines the company's approach to strategic research

# Dedicated followers of fibre

How does a medium-sized company organise its research and development to compete with the giants operating in the same high-technology global market?

The directors of Courtaulds, the specialty chemicals and materials company, have been asking themselves that question as part of the overall review of corporate activities, following this month's demerger of the group's textiles interests. The "new" Courtaulds has annual sales close to £2bn – an impressive figure by some standards but small compared with the chemical giants such as ICI and Du Pont with which it competes directly.

Although Courtaulds now has a highly decentralised corporate structure, the directors have decided to retain and continue to expand the central research and technology group built up during the 1980s.

"We need to carry out long-term research because in the long run a dependence on the empirical all the time is much more expensive than understanding the fundamental processes," says David Giachardi, the research and technology director. "But as a medium-sized company we have to make sure that we always operate in a 'shirt sleeves rolled up' mode. We cannot afford to carry out totally blue-sky research."

Courtaulds's long-term strategic research concentrates on two areas, polymers and surface science, which are of interest to the company as a whole. The other research groups are closely integrated within the individual businesses. "The rationale behind the organisation is that it puts together people who are dedicated to a scientific discipline and people who are dedicated to a particular business," Giachardi says.

The "shirt sleeves rolled up" approach is assisted by the fact that, as he puts it, "we're not on a nice two thousand acre green campus in Surrey." Courtaulds Research is based in a pair of grimy buildings, one a converted 1930s factory and the other a classic 1950s block, separated by a main road on the edge of Coventry.

The most striking result of the partial refurbishment programme carried out since the mid 1980s is a bizarre mixture of floor coverings. Sludgy yellow 1950s linoleum runs into jazzy burgundy-and-grey carpeting. Drab carpet tiles nestle against Amtico luxury vinyl flooring (a Courtaulds product manufactured in Coventry).

About 500 of the 1,500 R&D staff in work in Coventry, including those doing strategic research. The others are in smaller laboratories associated with individual businesses in the UK, US and Australia.

Over the last three years Courtaulds has snapped up several specialty polymer companies in the US, five of which have been brought together as Courtaulds Performance Films. These are becoming closely involved with the central research labs, with staff and technology being exchanged between the US and UK.

For example, Courtaulds's background as a textile company has given it a strong grasp of the technology of dying polymer fibres and controlling their colour. This expertise has been transferred to one of the US companies, Martin Processing of Virginia, which manufactures dyed and coated films for controlling heat and glare on windows (and for stage lighting).

Courtaulds has research links with several UK and US universities, including a newly sponsored professorship of polymer science at Durham University. But the company has avoided the large academic-industrial collaborative programmes sponsored by the UK Government and the European Commission.

Giachardi says that for a specialty chemicals company – as opposed to an electronics or aerospace manufacturer – collaborative government-sponsored research is rarely worth the additional managerial resources involved in taking part. Courtaulds prefers to set up less formal research partnerships with the companies that supply its raw materials on the one hand and those that buy its products on the other.

"As a group that is essentially a supplier of technology-based products to industrial customers, your idea of heaven is to work with an innovative customer and an innovative raw materials supplier," he says. An example is a satellite materials research project (see below) in which Courtaulds is working with the Royal Aerospace Establishment as customer and ICI as supplier of PEEK (Poly Ether Ether Ketone), a key ingredient in the composite.

A Courtaulds scientist uses a specialised mass spectrometer

The friendliness and informality of Courtaulds Research strike the visitor who is more used to the formal atmosphere of many large corporate laboratories. David Bott, whom Giachardi recruited in 1987 to help set up a strategic research group in Coventry, was delighted to get away from the "regimentation" of BP Research where he had spent the previous eight years.

"At Courtaulds they put you in a large rubber sack; there's very little resistance whichever way you want to move," Bott says. "Courtaulds Research is as open as you can get without having chaos."

However Courtaulds does force its researchers through an array of "team building" courses. These include indoor exercises in which competing groups have to carry out tasks such as building the highest possible Lego tower in the shortest possible time or producing a video to explain the role of a research manager within two days – and Outward Bound activities which involve helping your colleagues climb mountains in the Lake District in February.

John Beswick, head of human resources for Courtaulds Research, organises not only team building courses but also recruitment and scientific training. Although the chemical industry as a whole is finding it increasingly difficult to recruit good chemistry graduates, he says, "as far as I'm concerned we do not have a problem in recruiting."

The image of Courtaulds in university science departments has been transformed over the last decade. "Courtaulds had a really naff reputation when I was looking for a job first time around," says Bott, who left Sussex University with a PhD in polymer science in 1978. "It was seen as the rump of the UK textile industry. But second time around, it was quite different."

AN IMPORTANT thrust of Courtaulds Research is to produce stronger and lighter polymer-based materials. These are often used first in exotic applications where their high initial cost matters less than in mass production.

A good example is a "thermoplastic" composite developed for a technology research satellite which the Royal Aerospace Establishment plans to launch in 1992 (on an Ariane rocket). The main structural frame of the satellite will be made out of Courtaulds's new carbon/PEEK composite.

Thermoplastic composites are capable of being softened by heating and can be re-shaped in the softened state – in contrast to the "thermoset" materials used so far in space, which have been cured by heat and cannot be reformed by heating.

Charles Holleyman, composite materials research manager, says thermoplastics have several advantages over thermoset materials in space:

- They hold less moisture and residual solvent and are therefore less prone to "outgassing", the loss of volatile materials which may interfere with the delicate equipment on a satellite.
- They are less brittle and suffer less from "microcracking" through heating and cooling as the spacecraft moves in and out of the sunshine.
- They are easier to manufacture, as they can be formed and reformed into complex shapes.

Courtaulds Research has developed another composite material, this time based on glass fibres, which is intended to absorb energy and reduce the risk of injury in car accidents. Tests in the nose cone of a Tyrrell Formula One racing car show that the "braided glass fibre composite" will absorb three times more energy per unit weight than the best metal structures.

The material is too expensive for use in mass-produced cars today. Courtaulds is talking with car manufacturers such as General Motors about developing a less expensive version. "This braided fibre structure has the potential to be used in a wide number of applications in the transport industry," Holleyman says.

# Versatile robots pick and choose car models

**Ian Rodger** in Tokyo describes Nissan's recently unveiled Intelligent Body Assembly System

Automation in car manufacturing improves, it seems, by the week, with robots taking over more functions and computer-controlled flexible systems permitting a greater mix of models on a single line.

However, every so often an important advance changes the manufacturing process. Toyota's discovery in the early 1970s, for example, that the giant dies used in stamping body parts could be changed in under five minutes instead of eight hours made flexible stamping possible.

Nissan Motor appears to have a similarly important development with its Intelligent Body Assembly System (IBAS), announced last November and recently unveiled at its Zama plant 22 miles south west of Tokyo.

The assembly of the seven or eight panels that form the body of a car was one of the first parts of auto assembly to be automated, and the process remains one of the most striking images of the modern car factory. The panels are held in jigs while dozens of robots spot weld them together into a single car frame.

The problem with this system is that, although it is totally automated, it is also rigid. There is a limit on the numbers of jigs and spot welding robots that can be installed in a single line. Moreover, when it comes time for model changes, the jigs have to be replaced, a time consuming and expensive process.

Nissan's achievement has been to replace the jigs with numerically controlled handling robots which can be programmed to pick and place body parts from any number of car models and types in a fraction of the time it takes to retool a conventional system.

In addition, it has introduced a numerically controlled sensing system which, for the benefit of the spot welding machines, identifies the exact location of the body as it comes along. Thus, even minute changes in positioning due to wear on contact points can be compensated. The control computers also monitor all the equipment and diagnose failures.

The IBAS line at Nissan's Zama plant consists of 10 stages, two of which are idle, providing additional flexibility. At the first stage, the floor panel descends to the carrier dolly. At the third, the side panels, air box and parcel shelf are dropped into place and at the fourth the roof drops in, holding the whole frame together loosely. The frame then moves into the most complicated station where the locator sensors emerge to set precisely the position of the various panels and then direct robots where to do the bulk of the spot welding. A second body accuracy measurement is carried out at the sixth station and then final spot welds added.

IBAS is not cheap. Nissan officials say it took them five years to develop and costs between Y1bn-Y2bn (around £4m to £8m). Also, the payoff will not come in a hurry. In the ordinary production environment, it has few obvious advantages over conventional systems. The body assembly process is not a critical bottleneck in car production so the new system will not reduce assembly times.

Moreover, even though a company could theoretically assemble every size and shape of body from a Mini to a Rolls Royce in a single IBAS line, few would assemble more than eight model types in a single factory, and that amount of flexibility can be accommodated in conventional systems.

The big payoff comes when the company wants to change models at its assembly plants. This comes in two forms:

- Existing production programmes can be adjusted more easily to changing market conditions. Nissan is finding that demand in Japan for its Sunny model is exceeding its ability to produce them at the Zama plant. Thanks to the installation of the IBAS system at its Kyushu plant, the company merely has to transfer the programming from the IBAS at Zama to the one at Kyushu and change some minor fixtures on the Kyushu line. It will be able to begin Sunny production within three months. If it had had to re-tool a conventional body assembly line, it would have taken 10 to 11 months.
- The introduction of new models can be carried out more quickly and with a significant decrease in cost. Nissan says that the capital cost of introducing a new car body is about Y4bn, of which Y1bn to Y2bn is consumed by changing the tooling in the body assembly process. Thanks to IBAS that cost almost disappears, and is replaced by the more modest cost of re-programming the system. Also, much of the data for that programming will come from the computer aided design and engineering process. Tsuneyuki Hane, general manager of the Zama plant, estimates the cost reduction for a model change at about 50 per cent.

Whether the system will have other implications in the car production or marketing processes remains to be seen. Nissan plans to install the system in most of its factories, in Japan and also overseas.

When the company first announced the IBAS system last November, it said one of its main purposes was to improve the quality of body assembly. Officials said the greater accuracy of spot welding would contribute to a quieter ride with less vibration. "The IBAS system is intended to assure premium quality befitting the luxury sedan status of the Infiniti Q45 while providing the benefits of a flexible manufacturing system," it said in a statement.

Officials at the Zama plant, where the system is being used on the more modest Sunny, were less willing to make such claims, perhaps because many Sunny bodies are still being welded together on a conventional line. "It is very difficult to talk about the measurement of quality, but thanks to this system body accuracy will be consistently maintained. But we do not think quality is inferior using the old system," Hane said.

FT LAW REPORTS

# BR forced to sell King's Cross land at 1846 price

**FREEDMAN AND OTHERS v BRITISH RAILWAYS BOARD AND ANOTHER**
**CHURCH COMMISSIONERS FOR ENGLAND v BRITISH RAILWAYS BOARD AND ANOTHER**
Chancery Division: Mr Justice Hoffmann: March 22 1990

BRITISH RAIL cannot sell disused land at King's Cross to whom it pleases, but must offer it back to the owners from whom it was compulsorily purchased at the original price, in that the statutory pre-emption rights established when the land was bought had no time limit and have not been repealed.

Mr Justice Hoffmann so held when deciding preliminary issues in actions by the Special Trustees of St Bartholomew's Hospital against British Railways Board and National Carriers Ltd; and by the Church Commissioners for England against the British Railways Board and National Carriers Ltd.

HIS LORDSHIP said that north of King's Cross station lay some 125 acres of largely derelict land, vested in British Rail and National Carriers.

British Rail had plans for King's Cross which would put some of the land to use. A large area would not be needed for railway purposes. A consortium of developers had been formed to acquire the land and construct an ambitious commercial development.

In 1846 a good deal of the land was owned by the Church or St Bartholomew's Hospital. The railway company acquired most of it under compulsory powers. Now the hospital and Church claimed they had the right to buy it back at the price for which it was originally sold.

The Great Northern Railway Company Act 1846 gave the company power to make the railway from London to York in accordance with plans, and to take and use lands necessary for the purpose.

Three of the parcels of land with which the present actions were concerned were taken under compulsory powers. The first ("the yellow land") was about three acres south of Regent's Canal. The second ("the red land") was nearly 40 acres north of the canal. The yellow and red land belonged to the hospital. The third ("the green land") was about nine acres to the north of the canal, which belonged to the Church. The company also acquired about eight acres ("the blue land") belonging to the hospital, not under compulsory powers, but by agreement for "extraordinary purposes."

The provisions on which the plaintiffs relied were sections 57 and 102 of the Act.

Section 57 applied only to land taken compulsorily from the hospital – the yellow and red land. It provided that if, after the railway was completed, any of the land was not "used and required" for the purposes for which the company was incorporated, the company must offer it to the hospital "at a sum not exceeding the original price."

Section 102 was of general application. It provided that if, after the railway was completed, any part of the land should be "discontinued and not used for the purposes of carrying passengers or for carrying goods or other traffic," the company must first offer it "to the original proprietors . . . at a sum not exceeding the original price."

The preliminary issues raised three main questions. First, whether those provisions still applied, or whether they expired years ago; second, whether they were repealed by certain 20th-century statutes; third, whether National Carriers could say that its acquisition of some of the land in 1968 created an immediate right to repurchase under section 102, so that any claim for damages in respect of breach of obligation was now statute-barred.

Two principles of construction applied to sections 57 and 102 – that they formed part of a private Act which should, in case of ambiguity, be construed against the promoters; and that they should be construed in their legislative and historical setting.

Until 1845 each railway Act was a complete and self-contained code. They all contained some provision dealing with superfluous lands. Uniformity was achieved by enactment of a code dealing with superfluous lands in sections 127 to 132 of the Land Clauses Consolidation Act 1845 ("the code"), which was incorporated into the 1846 Act.

Section 127 provided that the company should sell all superfluous lands within 10 years after expiration of the statutory period for completion of the works and, in default of sale, all superfluous lands should "vest in and become the property of the owners of the lands adjoining thereto."

The section did not apply to abandoned land, but to superfluous land.

The defendants said that on its true construction section 57 was not intended to be a free-standing provision. It was intended merely as a gloss on the code, and that its operation was limited to 10 years after June 1853, the date fixed for completion of the railway.

Section 57 read like an independent and self-contained bargain between the promoters and the hospital. It was not intended to be transformed and cut down by other provisions to which it made no reference. To construe the section in the way the defendants suggested would not be in accordance with the principle that ambiguities should be resolved against the company.

Section 102 applied only after the railway had been completed, and only if "such railway or any part thereof" had been discontinued.

The defendants said those words meant the line of rail from London to York, and did not include yards or warehouses.

But that construction produced odd consequences. It meant that if the railway from London to York were discontinued, the company must sell the land on which the line was constructed, but could keep yards and warehouses.

The Railway Clauses Consolidation Act 1845, incorporated into the Great Northern Railway Act, defined "railway" as the "railway and works by the special Act authorised to be constructed."

That removed the difficulties. Section 102 applied to discontinuance of use for railway purposes of land on which any of the authorised works had been built, including yards and warehouses.

The section plainly applied to total abandonment, to which the code could not apply, and it read like an independent provision. There was no reason to fall back on the code. It remained a free-standing provision.

It followed that section 102 on its true construction applied without time limit to land which ceased to be used for the company's statutory purposes.

The section did not apply to the hospital's blue land acquired by agreement. "Railway" in section 102 did not include land bought by private treaty for extraordinary purposes.

The defendants said that sections 57 and 102 had been repealed by subsequent legislation – section 43 of the London and North Eastern Railway Act 1923, section 9 of the London and North Eastern Railway Act 1935 and section 59 of the British Transport Commission Act 1949.

Section 43 of the 1923 Act provided that notwithstanding anything to the contrary in any Act, the company should not be required to sell lands adjoining railway stations "not immediately . . . required for the purposes of the undertaking."

The words were not intended to embrace land then used by the company, but land which might at some future date not be required.

Section 9 of the 1935 Act provided that the company should have power to sell any land which was not "at the time of such sale . . . used for the purposes of the company's undertaking."

The section 9 provisions were concerned solely with the company's powers of sale, that is, whether a sale would be *intra vires*. They were not intended to discharge any specific statutory or contractual obligations.

Section 59(1) of the 1949 Act provided that sections 127 to 131 of the Land Clauses Consolidation Act 1845 "relating to superfluous lands and any other provisions to the same or similar effect . . . contained in any enactment . . . shall not apply to any land which is now vested in or may hereafter be acquired."

It seemed reasonable to take "superfluous lands" as the characteristic Parliament had in mind for the purpose of identifying provisions as being similar. By that test sections 57 and 102 were not similar, although they might overlap with superfluous land clauses.

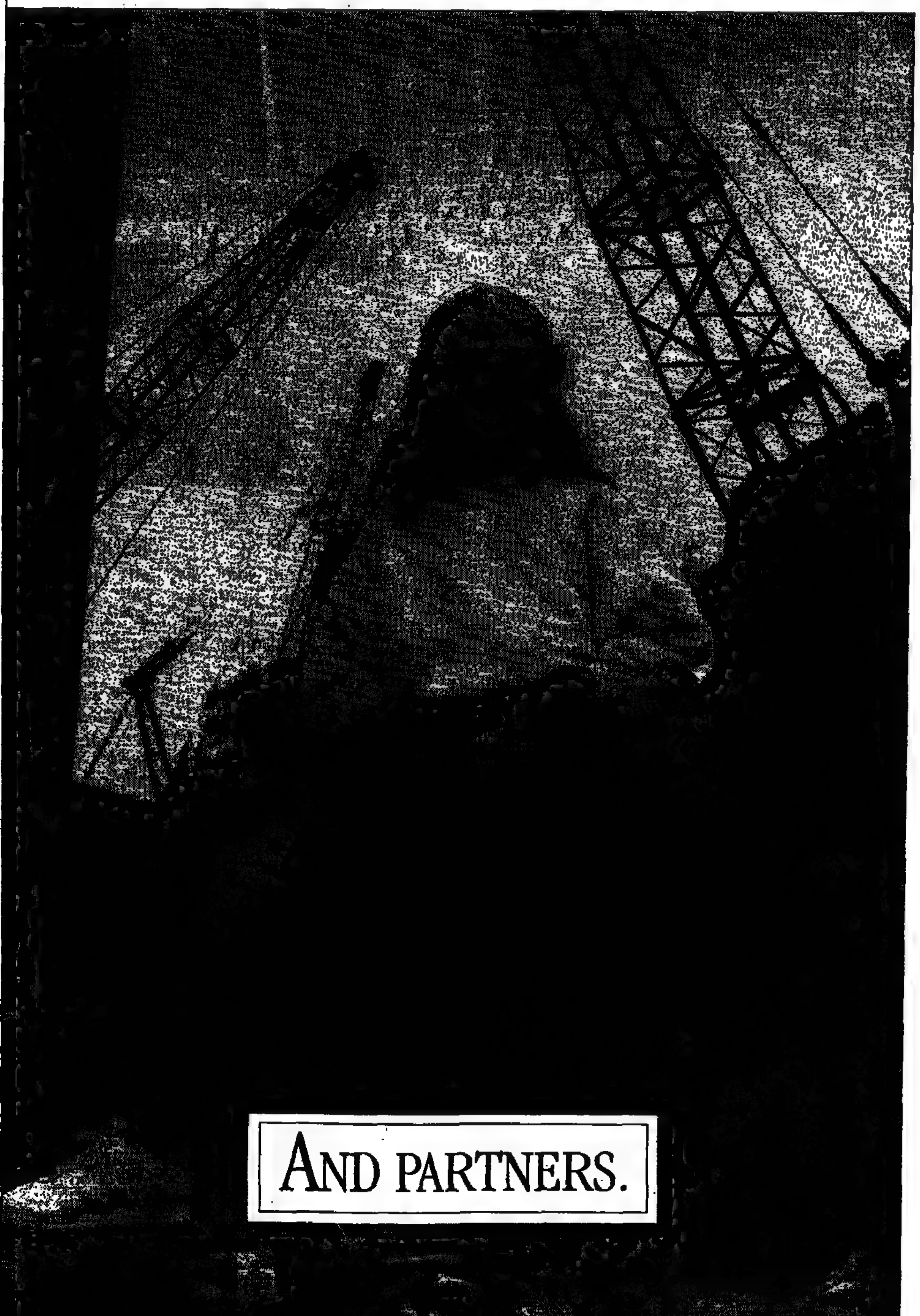
Neither section 57 nor section 102 had been repealed by subsequent legislation.

The Transport Act 1968 demerged the railway's road transport business to a newly formed subsidiary called National Carriers. The vesting made no difference. The fact that the land was now used by a different company was matched by a statutory vesting of assets and liabilities and a substitution of the name of the new company in the old statutes.

*For the hospital: Edward Nugee QC and Terence Etherton (Wilde Sapte).*
*For the Church: David Lowe QC and Charles Turnbull (Waltons & Morse).*
*For British Rail: Gavin Lightman QC and John Whittaker (Nabarro Nathanson).*
*For National Carriers: Robert Reid QC and Simon Berry (McKenna & Co).*

**Rachel Davies**
*Barrister*





# ARTS

## Arts Week

| F | Sa | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 30 | 31 | 1 | 2 | 3 | 4 | 5 |

## EXHIBITIONS

### London

**The Tate Gallery.** Joseph Wright of Derby – a full study of the work of one of England's most distinctive painters of the 18th century, yet one, like his close contemporary George Stubbs, too often dismissed as a mere provincial. Daily until April 22, except Bank Holidays.

**The Barbican.** Scottish Art Since 1900 – a brisk and effective celebration of what has always been a most vigorous and distinctive national school, yet one which has for far too long been not so much under-rated as underknown in the southern Kingdom. There are still gaps and over-rapid transitions, but the show nevertheless makes its point very well. Daily until April 16; sponsored by Flemings.

**The Royal Academy.** Frans Hals – the great retrospective, *already shown in Washington* and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Until April 8.

### Paris

**Grand Palais.** Soliman Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the splendour of the reign of Soliman "the shadow of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Closed Tue, Wed late closing, ends May 14 (42895410).

**Musée d'Orsay.** The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition-beginning with ex-votos and reliquaries and culminating ina celebration of Degas, Bourdelle, Maillol and especially of Rodin with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).

**Centre Georges Pompidou.** Pavel Nikolaievitch Filonov. A solitary figure of the Russian avant-garde, he refutes cubism and futurism as contrary to nature's – and art's – organic development. "Every atom" of the surface of the 50 paintings and 150 drawings is given intense attention and basks in the light of idyllic harmony in cruel contrast to his own destiny. Closed Tue, ends April 30 (42771233).

**Musee Carnavalet.** Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. They are grouped in glass-cases around a divinity surrounded by objects of the appropriate cult. Closed Mon, ends July 1 (42722113).

**Grand Palais.** Pre-Columbian Art in Mexico (1500bc – 1521ad). Some 130 exhibits from Mexico's archeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. A deep religious sense imbues their imaginary world peopled with divinities often represented as jaguars and serpants. Closed Tue, late closing Wed. Ends July 30 (42895410).

### Brussels

**Archives Générale du Royaume,** Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.

**Musées Royaux D'Art et D'Histoire.** The Enigma of the Easter Islands is partially deciphered in this exhibition of photographs and artifacts. Closed Monday ends April 29.

**Palais des Beaux-Arts.** Forty Years of Young Belgian Painting, a retrospective of early works by Belgian painters. Closed Monday, ends April 1.

**Musee d'Art Moderne.** Retrospective of the Belgian abstract/expressionist artist Englebert Van Anderlecht (1918-1961). Closed Monday, ends May 13.

**Isy Brachot.** Daniel Buren. Retrospective of work (1966-1989). Closed Monday, ends April 14.

### Ghent

**Museum voor Schone Kunsten.** Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

### Antwerp

**Koninklijk Museum voor Schone Kunsten.** Belgian Painters of Country Life. Closed Monday, ends April 22.

**Museum van Hedendaagse Kunst.** Beeldenstorm...Anno 1990 - Contemporary Dutch Artists. Closed Monday ends April 29.

### Venice

**Palazzo Grassi.** Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShine for the Moma in New York last spring, to which have been added about a dozen from private Italian collections. The show has since toured Chicago, London and Cologne, to end its tour at the Beaubourg in Paris this summer. Opening with Dick Tracy (1960) and closing with Warhol's version of Leonardo's Last Supper, done shortly before his death in 1987, the exhibition concentrates on the early works, 1960-1967, and the famous Marilyn, Liz, and Coca-Cola series are shown to excellent effect in a particularly skilful layout by *Gae Aulenti, in collaboration* with Pontus Hulten. Also included are numerous photographs of the factory, and excerpts from the films Warhol made in the years 1963-68, interspersed with comment from critics, writers and friends. Until May 27.

**Museo Correr.** Jacopo Palma il Giovane (1548-1628). On show for the first time is one of the two albums of Palma drawings *owned by the 18th century* collector Anton Maria Zanetti (the other is in the British Museum) recently acquired by the museum, together with a selection of paintings, mainly of biblical and mythological subjects. Ends April 29.

### Rome

**Villa Medici.** Self portraits from the Uffizi – from Andrea del Sartoto Chagall. Thirty works from the collection started by Cardinal Leopoldo de Medici in the 17th century, marking changes in style and taste over 300 years. Particularly interesting is the fierce and uncompro*mising self-portrait* painted by Ingres in 1858. Until April 15.

### Madrid

**Fundacion Caja de Pensiones.** Conceptual Art: a Perspective. Overall view of this relatively unknown movement which is nevertheless continually nourishing contemporary art production. Works range from mid-60s to early 70s. Ends April 29.

### Barcelona

**Museo Picasso.** Cubist works belonging to the National Gallery of Prague – Kramar Collection. The show includes 17 paintings by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

### Berlin

**Staatliche Kunsthalle,** Budapester Strasse 42: Lasar Segall (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.

**Braunschweig Kunstverein,** Lessingplatz 12: Gottfried Graubner. Around 100 aquarelles, paintings, and gouaches. Until April 24.

### Mainz

**Landesmuseum.** Marc Chagall (1889-1985), who died in 1985 was one of the most polular artists of the 20th century. Around 106 of his works, not shown in public before are to be only seen in Mainz until April 22. The gouaches, water-colours, pastels and paintings present themes of the old testament.

### Saarbrücken

**Moderne Galerie.** Growing on the Move. Retrospective of Paul Klee (1879-1940) in honour of the 50th anniversary of his death with around 190 oil paintings, water colours and drawings from all periods, to be seen until May 27. This is one of the most comprehensive Klee exhibitions ever.

### New York

**New York Public Library.** More *than 125 documents of the Aboli*tionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

**Centre for International Contemporary Arts.** Large-scale works in pastel and compressed charcoal by 31-year-old British artist David Oliphant, is the first of a series of four shows of young British artists slated for this *new*, well-received arts institution. Ends April 21.

**Museum of Modern Art.** In its serious, thorough way the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 29.

### Washington

**National Gallery.** A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 33 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.

**National Gallery.** Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

### Chicago

**Chicago Historical Society.** The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.

**Chicago Historical Society.** A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.

### Tokyo

**Isetan Museum,** Shinjuku. Impressionists and Post-Impressionists from the Fogg Museum, New York, including works by Van Gogh, Lautrec, Matisse and Picasso. The Japanese fascination with Impressionism continues unabated, so expect crowds.

**Suntory Museum.** European Posters from the Grandvil Collection. Works by Lautrec and Mucha, as well as by artists of the Art Deco and Pop Art periods. Closed Mondays.

## OPERA AND BALLET

### London

**Royal Opera,** Covent Garden: A newly staged production (in old sets) of *Die Meistersinger* by John Cox introduces two renowned Wagner portrayals – Bernd Weikl's Hans Sachs and Hermann Prey's Beckmesser – to London audiences. Christoph von Dohnanyi conducts.

**English National Opera,** Coliseum: David Pountney's new production of Verdi's *Macbeth* has Jonathan Summers and Kristine Ciesinski in leading roles, and Mark Elder as conductor. Also in repertory: Pountney's witty, sharp-edged production of Prokofiev's *The Gambler*, conducted by Sian Edwards, with Graham Clark once again in the outstanding in the leading role of Alexey; and *The Mikado*, in Jonathan Miller's celebrated "white-hotel" reworking.

### Paris

**Opéra Comique.** Bohuslav Martinu – *La Passion Grecque* produced by the Prague National Theatre (42866883).

**Paris Opéra.** Roland Petit arrives with *Carmen, The Young Man and Death* and *Debussy for Seven Dancers* at the Palais Garnier (47425371).

**Théâtre de la Ville.** Jean-Claude Galotta and the Group Emile Dubois perform *Les Mystères de Subal* (42742277).

**The Bastille Opera.** The newly inaugurated opera house continues with *Les Troyens* by Berlioz. Myung Whun Chung conducts and the production is by Pier Luigi Pizzi. Palais des Congres (40011789).

**Kirov Ballet** dances *Swan Lake* with Sylvie Guillem (46402511).

### Amsterdam

**The National Ballet** with a new ballet by Rudi van Dantzig to music by Kancheli, *Voorbij gegaan* (Van Dantzig/Chopin), and *Brahms-Schönberg Quartet* by Balanchine (Fri). Muziektheater (255 455).

### Brussels

**Jose Limon Dance Company** in *There is a Time, Keeping Still, Mountain* and *The Moor's Pavane*. Palais des Beaux-Arts (Sat).

### Madrid

**Teatro Lirico Nacional la Zarzuela.** *Le Nozze di Figaro* in a production by the Welsh National Opera, conducted by Antoni Ros-Marba, with a cast led by Carlos Chausson, Richard Stilwell and Leila Cuberli (429 82.25).

### Milan

**Teatro alla Scala.** Keita Asari's production of *Madama Butterfly* conducted by Gianandrea Gavazzeni. (80.91.26).

**Teatro Nuovo.** Carla Fracci as Isadora Duncan and Olimpia Carlisi as Eleonora Duse in *Adieu et Au Revoir*. Produced by Beppe Menegatti and Rita Ribeni (78.12.19).

**Teatro Lirico.** The Scala Ballet Company in *A Midsummer Night's Dream*. (opens Thur) (86.64.18).

### Triesta

**Teatro Verdi.** Magnificent production of Beethoven's *Fidelio* by Bernd Gottschalk. (63.19.48).

### Turin

**Teatro Regio.** Pasquale Grossi's production of Verdi's *La Traviata* conducted by Roberto Abbado, with Nelly Miricioiu, Renato Bruson and Vincenzo la Scola (8815.242).

### Rome

**Teatro dell'Opera.** Elisabeth Norberg-Schulz and Ezio di Cesare in Franco Mannino's *Il Principe Felice* conducted by the composer. (46.17.55).

### Berlin

**Opera.** *Der Barbier von Sevilla* is a well done repertoireperformance. *Manon Lescaut* has a strong cast led by AnnaTomowa-Sintow in the title role, Giorgio Lamberti and William Murray. Further offered *Die lustigen Weiber von Windsor* and *Die Zauberflöte*.

### Hamburg

**Opera.** Harry Kupfer's controversial new *Tannhäuser*production is well sung by Rene Kollo in the title role, Waltraud Meier, Llinda Plech and Andreas Schmidt. *Tosca* has a first-rate cast led by Leona Michell, Giacomo Aragall and Ingvar Wixell.

### Cologne

**Opera.** The new John Dew *Simon Boccanegra* production was well-received when it opened last week with Frederick Burchinal, Susan Dunn, Dennis O'Neill, Dimitri Kavrakos and Wassili Janualako, conducted by James Conlon. *Madame Butterfly* brings Hiroko Nishida, John del Carlo and Marcus Haddock together.

### Munich

**Opera.** *Die Entführung aus dem Serail* stars EdithGruberova. Guenter Nöcker, Gwendolyn Brandley and Manfred Schenk.

### Bonn

**Opera.** A concert version of *La Donna del Lago* starring LuciaAliberti, Martine Dupuy, Rockwell Blake and Luca Canonici, conducted by Henry Lewis. The new lively *Barbier von Sevilla*production by Willy Decker is well sung by ErnestoPalacio, Bruno Pratico, *Jennifer Larmore* and Angelo Romero. A Grace Bumbry Lieder recital with pianist Jonathan Morris with songs by Bellini, Spontini, Brahms, Schumann, Massenet, R.Strauss and spirituals.

### New York

**Metropolitan Opera.** James Levine conducts *Das Rheingold* in the first of the season's Ring cycle in which Tatyana Troyanos sings Fricka, James Morris is Wotan and Jan-Hendrik Rootering is Fasolt. Franco Zeffirelli's new production of *Don Giovanni* continues, conducted by James Levine with Carol Vaness, Karita Mattila and Jerry Hadley. James Levine conducts *Die Entführung aus dem Serail* in John Dexter's production. Opera House at Lincoln Center (362 6000).

## THEATRE

### London

**Anything Goes** (Prince Edward). Cole Porter's silly ocean-going 1930s musical. (734 8951, cc 836 2428).

**Jeffrey Bernard is Unwell** (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. (437 2663).

**Another Time** (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. (867 1116).

**Aspects of Love** (Prince of Wales). Andrew Lloyd Webber's latest. (839 5972).

### New York

**Cat on a Hot Tin Roof** (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

**Grapes of Wrath** (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaption.

**The Sound of Music** (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

**Heidi Chronicles** (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

**Grand Hotel** (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

**Sweeney Todd** (Circle in the Square). An intimate production of the Sondheim-Wheeler musical. (239 6200).

**Lend Me a Tenor** (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

**M. Butterfly** (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

### Washington

**Stardust** (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

### Chicago

**'Tis Pity She's a Whore** (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s. Ends April 7. (443 3800).

**Steel Magnolias** (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

**I'm Not Rappaport** (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

### Tokyo

**Kabuki.** Kabuki-za (541 3131): two lavish mixed programmes (11am, 4.30pm) to mark the 50th anniversary of the death of the great Kabuki actor Utaemon V. Among those appearing is his son, 76-year-old Living National Treasure Utaemon VI. The highlight of the evening programme is Kago Tsurube, a famous 19th century play about a country bumpkin who falls in love with a courtesan, with tragic results. Excellent earphone guide in English and English-language programme. Ends April 26.

**Hamlet** (Ginza Hakuhinkan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set. (535 0555).

ARTS

# The Prince of the Pagodas

**COVENT GARDEN**

In a programme note for his new *Prince of the Pagodas* Sir Kenneth MacMillan pays tribute to the idea of *The Sleeping Beauty* as an evident presence in the creation of the Britten/Cranko original, and as an ideal ever-constant in his own feelings about classical choreography. Looking at *Pagodas* again on Wednesday night, when it returned to the Opera House repertory, the subliminal and overt references to the Petipa/Chaikovsky masterpiece seemed to me even more striking than when the ballet was first seen in December. This is no way to suggest that MacMillan, any more than Britten or Cranko, was concerned with pastiche. Rather that certain attitudes and formal devices ring through the consciousness (and subconscious) of any creator brought in to contact with the perfections of *Beauty*, and serve thereafter as inspiration.

Such simple matters as princely suitors coming to a court with gifts, and less obvious structural concerns as an adagio for Epine and these four cavaliers (MacMillan's "Thorn Adagio"); the journey by which an enchanted lover is reached; the central fairy-tale conflict between good and evil; even the monkey courtiers invading the Emperor's throne, just as Carabosse and her creatures are supposed to seize the King's throne in *Beauty*: these are all cross references that intrigue and suggest links and resonances.

To stress this, though, is to deny *Pagodas* its individuality; it is more apt to note that, returned to the Opera House after a series of regional performances, the staging is well run in and dance and production look polished, assured. MacMillan has made the one change that seemed necessary after the first night. The brief prologue now more clearly indicates the causes of the action in Epine's anger at the apportioning of the kingdom, and her subsequent revenge upon Rose and her prince which turns him into a salamander. Thereafter, the staging is – I think – changed only in the greater technical finesse demonstrated by the Royal Ballet whose artists are now handsomely "inside" their roles.

For Darcey Bussell, the evening is a triumphant display of gifts so fresh, youthful and so irresistible in their tireless power, that any praise seems gratuitous. The characterisation is sensitive, radiant, and sweetly powerful – technical marvels, in the spring of her jumps, in the grace with which the most taxing steps are set out, are the manifestation of a portrait of entire charm and sensitivity. Jonathan Cope seems both more pathetic and more communicative of feeling, his dancing generous and elegant. The four kings' variations are bravura portraits of temperament, subtle and taxing – like Petipa a century on – and are splendidly given by their creators, while the solos for the Clouds, danced with fine authority, are transcendental studies in felicitous academic style. The company is on its best form.

**Clement Crisp**

# Camino Flamenco

**BARBICAN HALL**

In its stance, its glamour and its percussive force, Flamenco dance is inherently dramatic. You see pride, passion, temper, will. No wonder people use it as the basis of dance-dramas. And yet . . .

Camino Flamenco, a new company, has been formed by its lead dancer, Mariano Torres, who appeared in last year's Earls Court *Carmen*. It has just appeared for two nights at the Barbican, in a two-act story of love and jealousy, *A Night at the Feria*. The tale is unfortunately trite: Mariano (Torres) is distracted from his bride (Maribel la Manchega) by the charms of a flowergirl (Melina Coral), who, in turn, is occasionally distracted from this adulterous passion by another man (Gabriel Herrera).

The best use of Flamenco for narrative in recent years has, of course, been in the films of Antonio Gades. But even there the drama of the form is weakened by having to tell a story. *A Night at the Feria* is less like Gades' work than like Cumbre Flamenca, which triumphed at Sadler's Wells in 1988 and 1989 (and which is expected to return soon). Camino Flamenco has six dancers, three singers, and three guitarists; and really the plot is only – hurray – an excuse for dancing to music. The evening proceeds to demonstrate Sevillanas, Alegrias, Solea, Taranto . . . a dozen different Flamenco forms in all. In Part One, however, none of the dances takes off as virtuosity, and several of them are actually sapped by all the smouldering glances and dutiful story-telling.

In Part Two, though, narrative only sometimes intrudes. And now Flamenco rhythm starts to cast its spell. In the Taranto straight after the interval, the company's two junior women dancers, Carmela Romero and Gemma de la Cruz, make something bewitching from the simple co-ordination of circling hands and advancing feet. Then a series of solos and duets. Heredia's solo (Romeras) shows the Flamenco phrase at its more dense and unpredictable; Torres's Solea has the evening's big cadenzas – swelling and diminishing, slowing and accelerating. He, like la Manchega in her Cana, does a neat heel-trill, though his grows uneven when he attempts a long diminuendo.

None of this has the astounding attack, the dizzying complexity of phrase, the violent flourishes of Cumbre Flamenca or, for those with longer memories, Mario Maya's company. Nor are the singers here so remarkable. But this is still decent Flamenco, not too touristy, and it grows more spontaneous as it continues. In the final encores, everybody – musicians, too – dances a solo, while the others clap and sing along. You see and hear a community united in dance and song. When Torres incorporates a few non-Spanish half-Scottish steps, they all laugh and egg him on: a testimony to the evening's basic authenticity of style and its eventual high-spirited warmth.

**Alastair Macaulay**

# More Than One Antoinette

**YOUNG VIC STUDIO**

The second of Monstrous Regiment's 15th anniversary productions conflates two novels and two continents into a bitter reflection of women's lot. From *Jane Eyre* comes the second wife, disconnected, poor and plain, brandishing her need to serve like a shield against the world. From Jean Rhys's *Wide Sargasso Sea* comes the first Mrs Rochester, a Creole with an inherited streak of madness which she fatally conceals from the young English fortune-hunter who comes knocking at her heart.

The result is a curious hybrid of moods and styles, which is morose, flagrant and as fragmentary as the experience it represents and with as many repetitions. Geraldine Pilgrim's set of gothic balcony jutting skyward above the cool, polished expanses of a colonial mansion kept shining by the sweated labour of slaves, creates a strong visual unity which is certainly needed by Debbie Shewell's tortuous, and densely directed, dramatisation.

The bridally decked bed of the over-passionate Antoinette holds centrestage in the first act but recedes in the second, to evoke the prosaic living quarters of a humble English governess. While Antoinette moons at her reflection in a pool, Jane shudders at herself in a great gilt mirror which dominates her bedroom. Appearance, of course, is an abiding issue, merging with identity most obviously through the disfigurement of Rochester, but gaining a new dimension through the confusion of Antoinette, a white woman whose alter ego is black and whose imprisonment in a cold English attic is therefore doubly cruel.

Geraldine Somerville, thin and peaky beneath her titian tresses, becomes physically and mentally engulfed by the bulky inquisitorial presence of Natasha Williams' Tia, her childhood friend, tormentor and her other self who emerges to enflame the colonial prejudices of William Gaminara's starchy Rochester with the donning of a bright-scarlet dress. He meets his match in the alabaster edifice of Abigail Bond's Jane, whose primly self-conscious references to the "dear reader" make the point that she is written in a different style, while allowing her to fan the play's first and only flicker of humour.

In doing so she illuminates the disapppointment of the piece, that its parts outweigh – in both senses – the whole in originality and penetration. There is some clever knitting of narratives, yielding a scattering of insights, particularly about cultural identity. But Jane's final moan about the boring ubiquity of the happy ending forces her dear reader to differ: the breast-beating tradition to which this play belongs permits only unhappy ones.

**Claire Armitstead**

Alastair Muir

Antony Sher

# Singer

**THE PIT**

Peter Flannery's epic – and for once the description seems apt – charting an opportunist's career in post-war Britain has moved from Stratford-upon-Avon to that living monument to juggernaut opportunism known as EC2. The opportunist is based at least partly on the profiteering landlord Peter Rachman: like Flannery's Peter Singer a concentration camp survivor who made good in London. We follow Singer's progress from Auschwitz through success, disgrace and resurrection to a sort of redemption.

Singer's soul, like a human body, sees the light in blood and pain, passes through the greedy solipsism of infancy and the vengeful assertiveness of youth to an accommodation with self-knowledge.

The first part of the play begins with nightmare peopled by grotesques from Scarfe, Hogarth or Grosz, for which Terry Hands' direction is not tight, fast or ebullient enough.

The author's echoes of the RSC's favourite period (Joe Melia's narrator evokes the Chorus of *Henry V*) create a gallery of Jonsonian predators but the characterisations are not bold enough to take stylistic wing – we're left with grating caricatures or unfocused realism.

The first half ends with Singer, shamed by his old friends from Auschwitz, drowning in a Hampstead pond. But ("Who said Jews don't make good swimmers?") he stalks the Sixties (a tiresome interlude with avant-garde hippy theatre), unable to die until he finds an explanation for his multiple victimisation as Jew and moral villain. Years of penance in a soup kitchen rehabilitate him in the era of The Great Housekeeper as the Eighties rediscover, and acclaim, his slum landlord philosophy.

At times the writing is that of a bad poet, occasionally simply meretricious: "The triumph of Marks and Spencer over Marx and Engels isn't cheap." But jokes like that are.

The soft centre of an episode where hippy Singer falls in love splurges the focus out of shape like a squashed chocolate, and the final hint of redemption through the unbalanced camp-inmate who remembers his name and identity has an arbitrary ring; but some performances stand out - Mick Ford's idealistic artist from Auschwitz; Malcolm Storry's brain-damaged survivor, Singer's conscience throughout; Russell Dixon's baying demagogue of Thatcherism as Flannery sees it; Alan Cumming and Mark Williams as guitar journalists.

Above all, Antony Sher gives his best performance to date as Singer. Previously this most technical of actors lacked the heart to conceal his art; one was aware of the mechanics, the calculation of each physical quiver or vocal quaver. Here the works are internal, leaving him to spin around the stage like a clockwork toy out of control but driven by passion, avuncular or simian in glee, lechery or repressed fury.

**Martin Hoyle**

# Emerson Quartet

**WIGMORE HALL**

The present members of this remarkable American team have been together since 1979, which by current standards counts as a long-lasting marriage. Their DG recording of Bartók's six quartets won the *Gramophone*'s 1989 Record of the Year award, and on Wednesday the Wigmore was packed for them. Their executive prowess is of the highest order; I don't mean that they are brilliant individual technicians (though they are), but that as a whole quartet they realise their effects with a luminous precision that only the closest mutual attentiveness can achieve.

One factor, almost unique, is that the Emerson doesn't have one dominating leader. While Eugene Drucker and Philip Setzer alternate as first and second violins, their partnership – either way round – has a rare, vital equality, very different from the usual master-and-echo relation. That lights up the top half of their quartet-music; and the lower voices are set in pungent relief – another factor – by Lawrence Dutton's viola and David Finckel's 'cello. Neither of them aspires (in the modern manner) to the condition of low-range violins, but brandishes proudly the special qualities of his instrument (as all the great quartet-composers would have expected). The collective result is three-dimensionally lucid.

That said, it must also be reported that the Emerson relies heavily upon detailed instructions – as in the minutely explicit score of Bartók's Fourth Quartet, which they rendered brilliantly – and tends to sound guessy and provisional in music that expects creative sympathy. Even in their sensational Bartók the musical nodes needed tougher definition, and in Mozart and Schubert their bright local flashes went off against routine backgrounds.

In the outer movements of Mozart's D minor "Haydn" quartet, his Allegro moderato and Allegretto ma non troppo were read alike as moderate plods – at tempi that no modern scholarship would license, and at grave cost to their high-tragedy manners. I've never before heard the Minuet presented as the most incisive movement of K.421, and as a dramatic centre it didn't convince. The big A minor quartet of Schubert, D.804, had solider underpinnings, but its most haunting passages remained prosaic here despite the Emerson's ultra-refined translations into sound. If and when this quartet grows into an expressive authority that matches its gleaming moment-to-moment clarity, it will be an ensemble to revere.

**David Murray**

# The Miser

**YOUNG VIC**

Molière's *L'Avare* is an untidy prose comedy, part moral fable and part fairytale, which owes its appeal to its grotesque central character, the miserly father whose avarice reduces all around him to lying and subterfuge. Molière treated himself to the part of Harpagon, who is played by Roy Marsden in Mike Alfreds' production as usury incarnate, sickle-backed, straggle-bearded and dressed, like a Boz cartoon for *A Christmas Carol*, in besmirched and tattered nightclothes with a wizened money-bag strung suggestively from his waist in reflection of the play's preoccupation with the confusion of financial and sexual values.

The trouble with such a sterotypical interpretation is that it allows very little room for comic manoeuvring, or for any flirtation with the idea of Harpagon as a pitiable character, which is surely the intention – however flippant – of the long drawn-out final confrontation, when Harpagon is forced by his jubilant family to choose between his money and the pretty young girl he intended to marry.

Alfreds has styled his Oxford Stage Company production as a beggar's burlesque, dressing his characters in rags assembled into a mimicry of the textual instructions: the ribbons of Paul Ryan's Cleante, Harpagon's gambling dandy of a son, hang limply from fustian, recalling the wardrobe of a Jack denied his beanstalk, while the adventuress Frosine (an energetic Maggie Wells) becomes a common tart, more Peachum than society procuress. Their intrigues are played out on a bare circular stage which sticks out like a jetty from a series of archways decked, by designer Paul Dart, with ruched curtains which rise to admit fleeing characters or to give fleeting glances of domestic life – the bed on which Sarah Harper's pretty, spirited Elise weeps at her father's injustice; the kitchen in which Tim Barlow's cook-cum-coachman brews lifesaving concoctions for the miser's starved horses.

It is a setting geared to a lick-splitting physical comedy which is only rarely fast and furious enough to take full advantage of it. When Harpagon upturns the cheeky servant La Fleche (played by Eric Mallett like a pantomime Buttons) in a frenzied hunt for hidden ecus, it finds its level, as it does when the surprisingly ponderous Tim Barlow lifts battered tricorn to reveal a squashed chef's hat. But the pacing is often wide of the mark, marooned on an exaggerated declamatory style which reaches a parodic peak in the absurd reunions of the finale. Alfreds' translation, while solidly workable, lacks the lustrous topicality seen in the work of Neil Bartlett or Jatinder Verma (respectively for Red Shift and the National Theatre), and it remains a mystery why he should decide to render part of the play in couplets, where none exist in the original.

**Claire Armitstead**

Alastair Muir

Roy Marsden and Maggie Wells

# Blood on the Lino

**DRILL HALL, WC1**

A dead body is found in the front parlour of a terrace house in Birkenhead. Who done it? Since this is the Drill Hall, and a creation of comediennes Karen Parker and Debby Klein, we all know the answer.

It is the Fifth Horsewoman of the Apocalypse, the cause of global warming, cot deaths, famine in the Third World, rape and pillage, tent cities, and Millwall's relegation to the Second Division – our Prime Minister.

But in these days of post-History, when events in East Europe make it hard to get gooey-eyed about socialism, the political denouement of Parker and Klein's small entertainment is kept for a final half hearted throwaway line.

It is a pity really that politics has, inevitably, to force its way in because the starting point of the piece, written by Debby Klein and performed by both girls to Lois Weaver's direction and Sharon Nassauer's music, is really quite intriguing.

It is the awakening of a murdered woman – or rather one corpse with two bodies, since Parker and Klein share the role – who tries to work out who stabbed her in the back.

This Kafkaesque idea soon gets lost in a rigmarole about a Mary Whitehouse figure who is expecting a visit from the PM while her grand-daughter pursues an unlikely career as a Page Three bimbo.

Into this home re-appears their daughter-mother, a left- wing terrorist who was believed to have blown herself up while trying to exterminate Mrs T. ten years earlier.

It hardly matters if you are with me because the plot is mainly piled on to compensate for a sad lack of humour. In fact the dialogue is dire, which is surprising because the songs, and especially the lyrics are sharp and witty, and Karen Parker has a pretty voice.

There is the anticipated gay twist in the second half. Fans of the duo will enjoy the songs but find that the rest falters between polemic and tedium.

**Antony Thorncroft**

# ARTS GUIDE

March 30-April 5



## MUSIC

### London

BBC Symphony Orchestra conducted by Oliver Knussen. Maxwell Davies, Stravinsky, Goehr (Fri). Royal Festival Hall (928 8800).
London Philharmonic conducted by Simon Rattle with John Mitchinson (tenor). Szymanowski, Berlioz, Schubert (Sat). Royal Festival Hall (928 8800).
Chamber Orchestra of Europe conducted by Roger Norrington and Heinz Holliger. Short season includes Haydn, Beethoven, Shostakovich, Beethoven and Schumann (Sun-Sun). Barbican Hall (638 8891).

### Paris

Orchestre Colonne conducted by Bertrand de Billy, David Lively (piano). Roussel, Tchaikovsky, Dvorak (Mon) Salle Pleyel (45638873).
Gwendoly Bradley recital (mon) Salle Gaveau (45632030).
Gerard Poulet (violin). Eugene Ysaye, J.S. Bach, Bartok(Tue) L'auditorium des Halles (40282828).
Orchestre de Paris conducted by Claus Peter Flor, Francois-Rene Duchable, piano: Weber, Schumann, Tchaikovsky (Tue, Wed) Salle Pleyel (45630796).
Madrigalists from Prague. Gallus, Monteverdi, Martinu (Tue) Opera Comique (42868883).
Berlin Philharmonic Quartet: Mozart, Dvorak, Schubert (Wed) Salle Gaveau (45632030).
Alexis Weissenberg (piano). Franck, Schubert, Brahms, Scriabine (Wed) Theatre des Champs Elysees (47203637).

### Amsterdam

Amsterdam Toonkunst Choir with the Netherlands Philharmonic and vocal soloists, Winifred Maczewski conducting. Bach *St Matthew Passion* (Sat). Concertgebouw (718 345).
Royal Concertgebouw Orchestra, Netherlands Chamber Choir and vocalists conducted by Frans Brüggen. Bach *St John Passion* (Sun matinee). Concertgebouw (718 345).
Netherlands Philharmonic with the Amsterdam Toonkunst Choir and soloists, Hartmut Haenchen conducting. Verdi *Requiem* (Thur). Concertgebouw (718 345).
Vakdimir Ashkenazy. Brahms, Schumann (Sun). Concertgebouw (718 345).

### Utrecht

Royal Concertgebouw Orchestra, Netherlands Chamber Choir and vocalists conducted by Frans Brüggen. Bach *St John Passion* (Fri). Vredenburg (31 45 44).
Radio Philharmonic with the Greater Broadcasting Choir, Jean Fournier conducting. Berlioz (Sun). Vredenburg (31 45 44).
Utrecht Oratorio Society under Johan van de Camp. Bach *St Matthew Passion* (Tue). Vredenburg (31 45 44).
The Choir and Baroque Orchestra of the Netherlands Bach Society: annual series of performances of Bach *St Matthew Passion*, conducted this year by the Belgian counter-tenor René Jacobs (Wed). Vredenburg (31 45 44). Also in the traditional setting of Grote Kerk (Thur) (31 93 53).

### Brussels

Aria Orchestral Ensemble conducted by Pierre Capem with Philippe Leblanc (clarinet). Gretry, Mozart and Telemann (Fri). Royal Music Conservatory.
Royal Flanders Philharmonic Orchestra conducted by Arturo Tamayo with Mireille Capelle (soprano) and Daniel Kientzy (saxophone). Bartok, Berio and Brewaeys (Sat). Maison de la Radio.
The Camerata Europaea conducted by Octavian Anghel with soloists performs Pergolesi's *Stabat Mater* and *La Serva Padrona*. Rumania Benefit Concert. (Wed). Théâtre Royal de la Monnaie.

### Frankfurt

Alte Oper. Frankfurt's Radio Orchestra under Sylvain Cambreling with singer Tom Krause. Schubert, Berio and Mahler (Fri). A concert version of Bellini's opera *Il Pirata* conducted by Imre Pallo (Sat).

### Milan

Sonig Tchakerian (violin) and G. Battista Rigon (piano) playing sonatas by Beethoven and Brahms and de Sarasate's *Zingaresca* (Wed). Conservatorio G. Verdi. (76001755).

### Florence

Jiri Kout conducting Hindemith, Mozart (with pianist Walter Klein) and Dvorak (Fri-Sun). Teatro Communale (2779236).

### Rome

Salvatore Accardo conducting Schumann, Dvorak and Weber, with Maria Joao Pires (paino) (Sun-Tues). Auditorium in via della Conciliazione (6541044).
Dimitri Sitkovetsky (violin) and Gerhard Oppitz (piano) playing Schumann, Strauss, Janacek and Schubert (Wed.) Teatro Olimpico (393304).

### Madrid

Spanish National Orchestra conducted by Hans Vonk, with Jose Feghali (piano). Mozart, Tchaikovsky (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).
Vienna Boys Choir conducted by Bernhard Steiner. Programme includes Schubert, Kodaly, Poulenc, J. Strauss (Sat). Auditorio Nacional de Musica (337 01 00).
Amsterdam Bachsolisten with Paul Verheil (flute) (Tue, Wed). Bach. Auditorio Nacional de Musica (337 01 00).
Ensemble Beethoven. Beethoven programme (Tues). Auditorio Nacional de Musica (337 01 00).

### Barcelona

Stuttgarter Kammerorchester, Gachinger Kantorei Stuttgart conducted by Helmuth Rilling. Bach (Wed). Palau de la Musica Catalana (317 57 57).
Orquestra Ciutat de Barcelona conducted by Franz-Paul Decker, with Paul Tortelier (cello). Schoenberg, Tortelier, Haydn, Strauss (Fri). Palau de la Musica Catalana (301 77 75).

### New York

Handel and Haydn Society Orchestra and Chorus. Christopher Hogwood conducting. Bach (Mon). Avery Fisher Hall (874 6770).
Atlanta Symphony Orchestra conducted by Yoel Levi with Shlomo Mintz (violin). Barber, Brahms, Stravinsky (Wed). Carnegie Hall (247 7800).
New York Philharmonic conducted by Charles Dutoit with Rudolf Buchbinder (piano). Martin, Ravel, Beethoven (Tue); Charles Dutoit conducting with Joshua Bell (violin). Stravinsky, Prokofiev, Shostakovich (Thur). Avery Fisher Hall (874 6770).

### Washington

National Symphony Orchestra conducted by Hugh Wolff with Stephen Hough (piano). Haydn, Beethoven, Lutoslawski (Thur). Kennedy Center Concert Hall (467 4600).
Moscow Philharmonic conducted by Dmitri Kitaenko with Vladimir Viardo (piano). Mussorgsky, Prokofiev, Rachmaninov (Wed). Kennedy Center Concert Hall (467 4600).

### Tokyo

Japan Philharmonic Orchestra, conducted by Kenichiroh Kobayashi, with Hiroko Nakamura (piano). Grieg, Tchaikovsky. (Tues). Suntory Hall (234 5911).
Mstislav Rostropovich (cello) with Lambert Orkis (piano). Brahms, Bach, Rachmaninov, Shostakovich (Wed). Suntory Hall (289 9999).

## SALEROOM

# Scandinavians do well

At Christie's afternoon sale of Scandinavian art yesterday a record price was made for any Scandinavian work of art when "Les Baigneuses," by the late 19th century/early 20th century Swedish painter Anders Leonard Zorn, went for £1.76m, at the top of its estimate. The previous best was for a Strindberg landscape which was sold last year for £1.65m.

The Zorn oil was painted in 1889 in Dalarö, on the Stockholm archipelago, and depicts two women bathing in the open air. The work has never been offered for sale before.

Norwegian artist, Nikolai Astrup, also did well. The parlour at Sandalstrand, an interior with still life, doubled its estimate at £374,000.

In the morning session the Danish artists were popular, especially the interiors by Vilhelm Hammershoi and still-life works by Johan Laurentz Jensen. Hammershoi's "Interior with a woman seated on a white chair" went for just over estimate at £264,000, while Jensen's "Hydrandea in an urn" doubled its estimate at £242,000. The morning session brought in £2,417,910 with 28 per cent unsold.

**Caroline Cross**

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday March 30 1990

# EC's great leap forward

*WITH CHANCELLOR* Helmut Kohl's enthusiastic endorsement behind it, the movement towards economic and monetary union of the European Community, on more or less the terms set out by the committee under the chairmanship of Jacques Delors, has obtained unstoppable momentum. There is talk of agreement in 1991 and ratification of a new treaty by the end of 1992.

From the economic point of view, the speed and even the content of the move towards Emu can be questioned. Politically, however, the momentum is not merely unstoppable, even by Mrs Margaret Thatcher at her most recalcitrant, but desirable. Even if some of the details are still to be played for, Emu represents a valuable, if risky, step on the path of European political integration.

The next move is an informal meeting of finance ministers this weekend at Ashford Castle, Castle Mayo. The main item on the agenda will be a recent Commission report on Emu, the first in which it has passed collective judgment on the Delors Committee's report of last year.

The Commission differs significantly from the earlier report only in removing the controversial suggestion for binding limits on the budget deficits of EC members. The rest stands. The EuroFed (the name for the new central bank) is, for example, to be "explicitly committed to price stability" and "subject to this priority, the policy should support the general economic policy objectives set at the Community level by competent bodies."

## Indirect benefits

In justifying a single currency, the Commission argues that the costs of foreign exchange transactions "may amount to at least Ecu 15bn on intra-EC transactions." Large indirect benefits are also expected from "the complete transparency of price comparisons and elimination of exchange rate risk," which only a single currency can provide. In opposing an elaboration of the present European Monetary System, the Commission suggests that "the dominance of a single national monetary authority is unlikely to be politically or economically acceptable."

In making its case for speed, the Commission cites the need to retain forward momentum. But it also wishes to avoid "the risks of systemic instability" in the transition from the old European Monetary System, buttressed by exchange controls, to Emu. This risk may be exaggerated. Certainly, the British Treasury's proposals are based on that assumption.

Yet, on so uncertain a subject, the Commission's arguments are at least plausible. In other areas, however, they are as yet incomplete. Important technical questions – who obtains seignorage on the note issue and what public debt EuroFed will possess – are not discussed. The treatment of the vital issue of how to divide authority over the exchange rate between EuroFed and the EC's economic authorities is notably obscure.

## Regional equilibrium

Then there is the regional question. Despite the 1992 programme, the EC will remain far less economically integrated than the US. In the absence of implausibly (and undesirably) large inter-regional transfers, the preservation of regional equilibrium will require the continuation of substantial real wage differentials as well as real wage flexibility. With overall price stability in the EC, widespread nominal wage cuts may well be required from time to time.

The report argues, rightly, that "it will be desirable to encourage the social partners to adopt, as far as possible, wage systems that establish a link between changes in relative wage levels and differences in activity levels." It is far from obvious, however, how this can be achieved.

A still more fundamental danger results from the different inflation preferences of the EC member states. The envisaged common policy could well be more inflationary than the EMS has been. If so, there are attendant political risks, with the Germans, in particular, finding the Ecu a poor substitute for the D-Mark.

It is also difficult to believe that the EC economy of today, with the 1992 programme incomplete, is ready to decide on Emu. There is merit in the evolutionary alternative.

But it is unlikely to happen. All but one of the members of the EC are committed to the great leap forward. The EC will then, in the pungent American phrase, "suck it and see." The leap to Emu is, in turn, bound to lead to further steps, particularly a greater centralisation of economic policy. On this Mrs Thatcher and Mr Delors agree. The next question, therefore, will be how to make that centralisation workable.

# The challenge for Mr Hawke

MR BOB Hawke's Labor Party has clung to power in Australia by its eyebrows. The result, which gives his Government an overall majority of just two in the 148-seat parliament, took five days to calculate in the closest, and least inspiring, election for 30 or more years.

The result gives Mr Hawke a record fourth successive win. But this is a messy result from a grubby election. The electorate, disillusioned with persistent economic crises and the way the two main parties conduct their political business, has turned towards the smaller and "greener" parties to the extent that Australia avoided a hung parliament only by the finest of margins. However, a solid mandate was needed for firm policies to deal with a dangerous economic situation. Not that Mr Hawke has produced any hint of a credible plan to get Australia out of its perennial cycle of boom and bust; Mr Andrew Peacock's opposition coalition had some good ideas but proved poor in the arts of persuasion.

Australia has probably been in recession since last autumn on the yardstick of two successive quarters of negative growth. The last quarter of 1989 showed a GDP contraction of 0.2 per cent and the early evidence indicates that the current quarter has also seen negative growth.

Confirmation that the latest blow out in demand is over should enable the Government to move to reduce interest rates further – although extreme caution will be needed. As exports begin to outstrip imports again the current account should improve. But, unfortunately, Australia's structural problems are a good deal more complex than that. After seven years Mr Hawke and Mr Paul Keating, his Treasurer, cannot prevaricate much longer and retain credibility in international markets.

The urgent agenda for this term is as short as it is difficult: break the neck of inflation and reform the labour market.

Mr Hawke has considerable achievements to his credit: an unprecedented restructuring of the economy, deregulation of the financial sector, floating of the dollar, cutting tariffs by 30 per cent or more, forcing competition into government enterprises.

These achievements represented Labor's definitive break with its ideological past. But the toughest problems are still persistently ducked. Australia has one of the world's worst largest external debt mountains – A$120bn and a population of just 16m. By the end of the year it will be nearer A$140bn because of the chronic current account deficit, running at around A$2bn a month.

Mr Hawke and Mr Keating have been scornful of the harsh measures taken in the 1980s by governments such as Britain and New Zealand to break inflation, improve competitiveness and create more flexible labour markets through decentralised wage bargaining. The fact that both countries have thrown away much of the hard-won advantage is another matter.

The Hawke-Keating approach has been to pursue consensus with the trade union movement. This delivered some early relief from industrial strife. But the accords, trading productivity for tax cuts and superannuation improvements, are now discredited. Australians continue to draw higher wages and enjoy a higher standard of living than the country can afford. However it is disguised, earnings-push continues to stoke inflation and undermine competitiveness.

Australia cannot cut inflation and interest rates and raise competitiveness while the accords dilute the requisite medicine. Australia needs a combination of labour market reform with a credible ceiling to nominal demand. This combination is the benchmark by which the international investment community must judge Mr Hawke's new Government's policies.

**Peter Bruce** says Spain's industrial culture remains fragile despite the boom

# After the fiesta, inertia sets in

The party in Spain is petering out. After four of the economy's most dazzling years in four centuries, in which foreign investors spent more than $22bn buying up Spanish companies and unbrakeable domestic demand encouraged local manufacturers to turn a blind eye to export markets, many of Spain's economic arrows have begun to droop.

Manufacturing industry, always the economy's ugly duckling, has woken from its reverie with a start. Employers clamour now for state help to boost exports, and attack high interest rates and Madrid's refusal to devalue a strong peseta. But the slowing of the economy has also thrown up critical questions about whether manufacturers themselves have made good use of the boom.

Last year Spain's trade deficit, the worst on record and the world's third biggest, grew 36 per cent to Ptas 3.2 trillion (million million), bumping up the current account deficit to $11bn. In the black in 1987, it will rise to about $15bn this year.

With inflation now growing at more than 7 per cent a year and 1990 wage settlements concentrating around 8.3 per cent, Madrid has wrestled itself into a corner by trying to dampen demand with a credit squeeze that is clearly affecting investment and industrial production. Money supply growth has been sharply down in early 1990, but few people are cheering.

The Industry Ministry says industrial order books began to shrink in the second half of 1989 and there are few signs of the expected pick-up in early 1990. The Government, in an effort to help, has offered tax breaks on investments abroad, is dropping the requirement that borrowers deposit 30 per cent of foreign loans so long as the money is used abroad, and has increased tax breaks to encourage faster investment.

At a macroeconomic level, most of this is manageable. The government, which is now trying to reach agreement with the opposition, unions and employers on "competitivity" (a wages and tax reform pact), still has a host of administrative measures to call on should it need to squeeze the economy even harder or lighten the burden. But the picture on factory floors is much fuzzier.

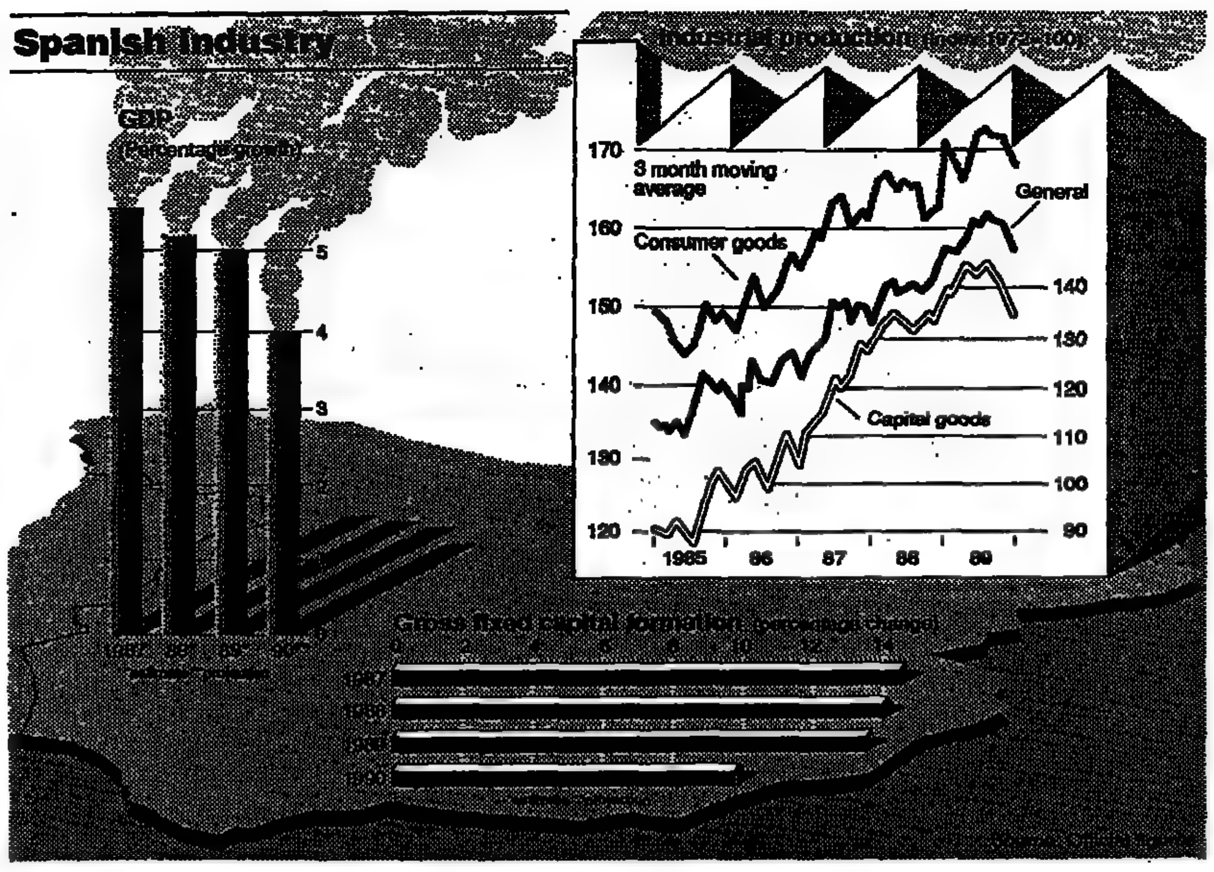
It is fashionable to argue that as more than half the country's imports are now capital goods, they must have been going into factories to modernise and rationalise production and to make Spain more competitive. It is true that, financially, most of industry is much leaner and fitter than it was four years ago. Employers can hire people on temporary contracts and an Industrial Restructuring Programme has cut nearly 85,000 jobs in steel, shipbuilding, textiles and electrical engineering since 1984.

Productivity has also risen sharply and corporate pre-tax profits, as a percentage of sales, have more than doubled from just 2.75 per cent in 1986. Even the Instituto Nacional de Industria (INI), the big state industrial holding group, is making profits and, it is claimed, about 40 per cent of Spain's industrial plant is less than five years old.

But the good news on Spanish balance sheets disguises an inertia in manufacturing itself. "They are very capable here, no question about it," said Mr Hans-Peter Haase, a director of Bosch Siemens Hausgeräte, of Spanish managers, after the group had bought two big white goods producers, Balay and Safel, last year. "But they still don't have the mentality to sell sophisticated products."

Faced with that challenge in an open European market, hundreds of local manufacturers have sold out to foreigners rather than try to draw the buyers into the partnerships, transfers of technology and foreign sales networks that Spain needs. While the Finance Ministry reports that fixed capital formation last year roughly equalled the high levels of 1988 "this is due to a larger role played by investment in construction, which has been accompanied by a light fall in investment in machinery," where the Ministry highlights "the growing contribution of foreign capital."

In other words, industry's input into the economy during the boom may have increasingly been abandoned to foreigners, (often speculative) building projects or engineering schemes, where economic returns are slow. It is also safe to assume that a huge share of capital goods imports has either gone into construction or roadworking equipment or to the thin layer of mainly foreign-owned car, paper, chemicals or food processing companies that dominate Spanish manufacturing.




**Spain now builds and exports more cars than the UK but Seat, Volkswagen's Spanish affiliate, still imports many basic parts**

Spain now builds and exports more cars than the UK but Mr Werner Schmidt, chairman of Volkswagen's Spanish affiliate, Seat, warned recently that the company was still importing many basic parts from West Germany because local supplies are not satisfactory. "The Government has created a sense of euphoria about the economy," says Mr Jose Maria Vizcaino, president of the Basque employers' body, Confebask. "There is a danger that we may have dropped our guard. We need better roads, better telephones."

Some Spanish manufacturers have ventured abroad or invested heavily in production and product innovation at home. Tudor has become Europe's second largest battery producer with acquisitions in West Germany and Scandinavia. Ceselsa has carved a rewarding niche for itself in avionics and air traffic control equipment. Campofrio now believes it is the lowest cost meat processor in Europe. But the structure of export income has been little affected. Foodstuffs accounted for 13.6 per cent in 1985 and just as much again last year.

This is not so much a measure of industrial failure as of the fact that, for most local manufacturers, profits from the domestic boom have been used defensively – to clear crippled balance sheets of debt and tax obligations – rather than in aggressive product and distribution initiatives.

This might not matter much were it not for the fact that tourist receipts, once the saviour of the current account, are stagnating. There is also evidence to suggest that the domestic boom has made Spain's economy more introverted than ever. Between 1985 and 1988 both exports and imports fell as proportions of gross domestic product.

High Spanish interest rates have attracted foreign investment and "given us all a false impression of health," says Professor Joaquim Muns, a distinguished economist and former Spanish representative at the World Bank. While the balance of payments gap was growing fast, Madrid convinced itself that investment inflows could cover it. "But," says Prof Muns, "we pay a premium. Sooner or later we will have to come to grips with the fact that we are just not competitive."

Spain, he says, has steadily lost weight in world trade since 1986. Between 1981 and 1985, when the volume of world trade grew an average 2.9 per cent a year, Spanish exports rose at 8 per cent a year. Between 1986 and 1988, however, world exports rose 6.3 per cent while Spain managed only 4.3 per cent.

"Spain's reliance since 1959 on monetary, rather than fiscal, policy to fight inflation (and encourage savings) has had a bad effect on industry," he says. "It has produced a permanent bias against exports. There is no exporting mentality in this country and the Government has done nothing, or almost nothing, to create one."

**"There is no exporting mentality in this country [Spain] and the government has done nothing, or almost nothing, to create one"**

Campofrio's president, Mr Pedro Ballve, warns: "Traditionally [Spaniards] go to export markets in order to overcome economic problems at home and not to stay in them." But industry is too fragmented and companies too small. "The lack of critical mass means economies of scale necessary to enter large markets, where price is as important as quality, cannot be achieved," he says.

The floor of the Madrid Stock Exchange, where manufacturers represent less than 20 per cent of market capitalisation, is a good place from which to gauge the fragility of Spain's industrial culture. The weighty presence of Spain's big banks in industry is partly to blame, for although they helped establish industry in the 1950s, their holdings now make little industrial sense. Industrial assets are frequently traded merely to meet the needs of bank balance sheets.

Undercapitalised industry obviously needs sources of long term funding but, says Mr Vizcaino, "it worries me. Industry is too dependent on outside capital." There is not much evidence – compared to the West German model of universal banking Spain believes it emulates – that Spanish banks make much contribution to long-term industrial strategy and Spanish manufacturers trying to do business in Eastern Europe are unlikely to find Spanish financial and marketing advice on the ground.

Foreigners fill the industrial gaps left by disillusioned or uncompetitive Spaniards. According to a new report*, foreigners, led by West Germans, spent $1.8bn in 1989 buying 131 Spanish companies (the bulk in chemicals-related industries), one every three days and almost double 1988's figure. Of the Ptas 1.7 million million invested from abroad last year, 40 per cent bought positions of influence in Spanish corporations. Why do they come to Spain?

Spain has warmly welcomed foreign investors not just because they help cover the payments deficit but because it is still believed that northern Europeans will make wholesale transfers of production to Spain to export into the EC. When Senior Engineering of the UK bought a heat treatment company near Madrid last year executives worried they might find their new Spanish customers drumming their fingers on anti-Spanish British press clippings. But, says one, "everywhere we were welcomed and the clients were very supportive. Some even insisted we invest more."

But, apart from Volkwagen's promise to make its entire range of small Polo cars in Pamplona, the European "transfer" has not happened. Some long established manufacturing investments, like the Daimler Benz van plant and Saint Gobain's Spanish affiliate, Cristaleria Española, export surplus production. Others, like Bosch-Siemens Hausgeräte, may use lower industrial standards in Spain to produce cheaper products for developing markets. But, for the most part, the foreigners have come in search of local market share.

"Germans invest here for the Spanish market," says Dr Helmuth Treiber, head of the West German Chamber of Commerce in Madrid. He remembers not being able to find most members of a delegation of Swabian Mittelstand industrialists to take them to a welcome briefing when they came to Madrid last year. "They were all out in the shops, testing eyeglass frames and feeling cloth textures to see if they could do better."

As labour costs increase, however, industry fears political change in eastern Europe may divert investment once earmarked for Spain. VW has since decided to make Polos in East Germany as well. "The Spanish market is attractive but some people still believe that Spanish wages are so low that it is very favourable to build here," says Mr Gerhard Leiner, Daimler Benz's finance director. "That is not the case. The gap is closing very quickly."

In the rush of foreign investment into Spain in the last four years it has been easy to forget that most of it has been chasing quick profits in the capital or property markets. Foreign industrial investors may not have been following a mirage but the force of their arrival may have created one in the consciousness of a normal country now discovering that it is no longer special.

* *KPMG Peat Marwick McIntock. Spanish Mergers and Acquisitions.*

# OBSERVER

## Malcolm does his stuff

■ Devon Malcolm was the star of the Queen's Park Oval. Yet it would not be an understatement to say that before his Quixotic and inspired selection for the current tour, his cricket standing did not exactly rate with the greats. In county cricket he finished 81st in the bowling averages last year. In Test cricket he played one Test for England at Trent Bridge and took one Australian wicket for 166.

His Derbyshire captain, Kim Barnett, usually bowls him in short spells, four or five overs at a time, and although on three different occasions, he has managed to take five wickets in an innings, he has never so much as approached the outskirts of his Trinidadian Test glories.

On Tuesday at the Queen's Park Oval he bowled in longer spells, including a couple that were each eight overs long, and he and Fraser tumbled the West Indian wickets after lunch from 96 for 0 to 100 for 4. Malcolm bowled fast and furiously. None of the West Indian bowlers looked nearly as dangerous, until they took the ball in the damp, darkening twilight.

Malcolm's 10 wicket haul in the West Indies puts him alongside only four other English bowlers – Voce, Stevens, Snow and Greig. Clearly he must be one of those people who comes good when he is in the Caribbean – coupled with a bit of coaching on line and length.

## Just feeble

■ Judging by the documents regularly flung out in most bid battles, one might imagine that the average merchant banker's lexicon is limited to three words: "unwelcome", "derisory", and "opportunistic". But perhaps this is unkind.

For attempts by a stylish Rothschild adviser, Richard Davey, to inject a little variety into the Laing Properties' defence against the predatory attentions of Sir Jeffrey Sterling and Elliott Bernerd, have met a sad fate.

When a hard-hitting Sterling/Bernerd document was wafted aside as "puerile", his client suggested that more basic language might be helpful. And when Davey proposed describing a revised bid price as "nugatory", one Laing director called for a dictionary. But, alas, to no avail. The bid was described as "derisory".

## Therapy

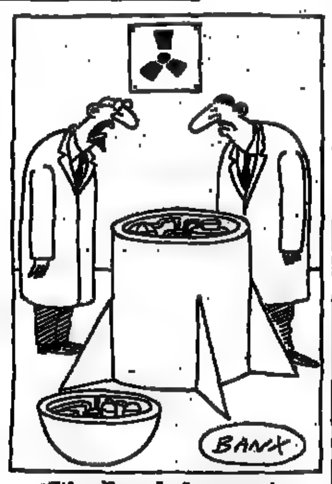
■ Peter Palumbo, the Chairman of the Arts Council, tells the story of a man from Dundee who came to see him the other day. The man had spent a lifetime's work studying the effects of visual arts in hospitals. These were so therapeutic, he said, that on average they shortened the stay of a patient by one day. Thus the Government could help the arts and the health service by commissioning artists to do works for hospitals.

## Sporting Duchy

■ This week's appointment of Colette Flesch as the European Commission's new Director General for Information, Communications, Culture and Audio Visual brings to an end the recent crop of top civil servant appointments in Brussels.

A prominent Euro-MP as well as a former Luxembourg Foreign Minister and vice Prime Minister, Flesch is filling the Luxembourg "slot" which became available when her fellow countryman, Fernand Braun, retired as head of the key internal market portfolio earlier this year.

Besides being the first woman to head a Brussels DG, she is almost certainly the first Olympic fencing finalist to fill such a post. She is not, however, the most distinguished sports personality in the Luxembourg Liberal party, an honour which without question belongs to Josy Barthel, winner of the 1500 metres at the 1952 Helsinki Olympics and the only gold medallist in the Grand Duchy's history.




"It's all made from parts smuggled in people's under pants."

## Jinxed cards

■ Herbert Winter, Secretary General of Eurocard, found that his card was refused when he tried to pay for a dinner for journalists in Monte Carlo last week.

According to the folklore of the international credit card industry, this is only the latest in a long line of mishaps. One of the most famous occurred at the same banking conference last year when Charles Russell, President of Visa International, was snubbed by a cash machine which failed to recognise either him or his card. The episode caused something of a major international incident.

A more junior credit card executive at Monte Carlo tried to draw money from a cash machine, and was told to contact his bank. "The problem wasn't with my account," he said afterwards. "It was simply that I was asking for too little money."

## Autonomy

■ I do not think I agree with those who, like my colleague, Samuel Brittan, criticise the West for not doing more to help Lithuania. Equally one might urge patience and restraint on the Lithuanians as well as the Soviet leadership.

True, the former are showing are a great deal of those qualities already, and clearly they do not want to provoke an armed conflict. If that were to happen, not only the Lithuanians would suffer. There would be a huge setback to the general improvement in international relations that President Gorbachev has helped to bring about. It is a genuine question whether that would be a price worth paying for the sake of the independence for one country. Besides, if the Lithuanians go too far, they will not get anything like independence.

Of course, all empires tend to break up in the end, but it has not always been a good idea that they should break up overnight. For the present, it seems to me that Lithuania would be best placed by seeking to negotiate the maximum degree of autonomy. Independence might come later.

## Dog story

■ A Norfolk reader who was in his local pub last weekend suddenly noticed that his dog was no longer with him at the bar. He hurried outside to look for it and a middle-aged woman asked him what was wrong. "I've lost my Dobermann," he told her. "Oh dear," she said. "Did you leave the keys in it?"

## POLITICS TODAY

# Taking refuge on the world stage

**By Joe Rogaly**

One of the perennial questions about Mrs Margaret Thatcher is: how does she do it? How does she keep her spirits up, when the Conservative Party is in such a mess, Labour has an apparently commanding lead in the opinion polls, and her chances of winning the next general election with an overall majority seem to be slim?

The short answer is that she does not always enjoy high spirits and full self-confidence, as could be seen last week, when she was badly rattled at question time in the House of Commons. So far as can be told, these visible lapses are, however, rare – even in the privacy of No 10 Downing Street. She appears to have remarkable powers of recovery. I suspect that the fuller explanation lies in her perception of her role in world affairs. It is a heady potion.

This week, for example, the Prime Minister was visited on Monday by Mr Michel Rocard, the French Prime Minister. It was a reminder that since her lunch with President François Mitterrand in Paris on January 20 the number of bilateral meetings between her ministers and his has been increased. She can assure herself that an effort is being made to create a new Anglo-French understanding. (Never mind the quite different French view.) On Tuesday the Cabinet's foreign affairs sub-committee, which she chairs, decided on the Government's approach to German unification. It will be welcoming, leaving it to the Germans to ask for derogations from European Community rules to give East Germany time to catch up. On Wednesday she spent nearly an hour on the telephone with President Gorbachev and almost as long again with President Bush.

Yesterday she set off for the Anglo-German Königswinter conference in Cambridge, armed with a ringing speech in which the peroration was about a grand alliance for democracy, stretching from the Atlantic to the Urals. It would be based on the 35-nation Conference on Security and Co-operation in Europe. Today she talks with Chancellor Helmut Kohl of West Germany. She may realise that most of Europe sees her as yesterday's star and him as tomorrow's but she has no consequential need to relinquish the political benefits, which she would call responsibilities, of Britain's status as one of the four victorious powers in 1945.

There is self-delusion in all of this, but perhaps not quite as much as is implied by the charge that the Prime Minister is "isolated" on the international stage. Not many European heads of government share her approach to the European Community, monetary union, South Africa, or even nuclear weapons. In that sense she has become a known, and therefore less influential, irritant. The others do, however, talk to her. They exchange visits. The EC must seek British participation in this or that scheme, as must Nato. President Bush may regard the British view on EC unity as ornery, but his characteristic response is that what is required from him is "stroking." So while the world at large may describe the Prime Minister's opinions as isolated, she need not see herself in that light. As her standing in the polls falls, as shire Conservatives resign from the party in protest at the poll tax, she can assure her mirror that there is still much left to do, not least in the European theatre, and that she is the best person to do it.

Back in the real world, the question of whether or when Britain will join the exchange rate mechanism of the European monetary system has become the nagging toothache of British political discourse.

There is a consensus that entry is necessary if the pound is to be stabilised and the British view on the evolution of the EMS is to carry weight. The Chancellor of the Exchequer, Mr John Major, believes that all save one of the conditions for entry laid down at the summit meeting in Madrid have now broadly been met, or will soon be. The exception is, of course, a fall in the British rate of inflation towards the average in the rest of the community. The Foreign Secretary, Mr Douglas Hurd, believes that a political decision will have to be taken in the second half of this year.

The actual date would still depend on the Chancellor's judgment of the propitiousness of a particular rate of inflation. At that point he would have to carry the Prime Minister with him. She is still showing some ambivalence. In anticipation of parliamentary questions on Tuesday an agreed answer was prepared; Mr Major is said to have drafted it. "We are committed to joining the exchange rate mechanism and we shall do so when the Madrid conditions are fulfilled," she read out. "They are not fulfilled yet." The trouble is that she gave off-the-cuff answers to other versions of the same question. She specified free movement of capital and "proper competition throughout the Community" as unfulfilled conditions when pressed by Mr Hugh Dykes one of her own side. In answer to the Labour leader, Mr Neil Kinnock, she talked about entry sometime during her second decade in office. Whatever her intention, the impression was left that she can dodge and weave for a good while yet, partly by finding flaws in the degree to which the conditions other than the inflation rate have been met, and partly by inventing new conditions if necessary.

In this way 1990 threatens to be a replay of 1988 and 1989, with the principal difference being that we have a new Foreign Secretary and a new Chancellor. The previous Chancellor, Mr Nigel Lawson, said in the House of Commons on Monday that failure to join the ERM left the Government's economic strategy with "an exposed flank;" making it clear that in his view "we really cannot afford to take the risks involved in a leisurely timetable." I am sure that, along with the previous Foreign Secretary, Sir Geoffrey Howe, Mr Lawson made this point more than once to the Prime Minister last year. The speculation then was that if these senior ministers were to join forces and threaten resignation Mrs Thatcher would have to give in. Instead, one way or another, she has found two new ministers.

Now the theory is that if the new Chancellor and the new Foreign Secretary decide to unite the prospect of yet another pair of resignations would be so horrific to the Prime Minister that she would have no alternative but to rush into the ERM at that very moment. Forget it. Neither Mr Major nor Mr Hurd believes that such behaviour would be either seemly or effective. This could be read as meaning that the two of them are more afraid of Mrs Thatcher than such distinguished holders of great offices of state should be, but there is a more charitable way of looking at it.

Both believe, or perhaps affect to believe, that the Prime Minister will remain in power until the next election, and for some while beyond if the Conservatives win. They are thus obliged to work with the boss they have. She is an immensely strong-willed woman whose long service and excellent memory have made her very difficult to oppose. Their predecessors tried head-on opposition; in the case of the ERM this did not work.

The Hurd-Major way, one is led to believe, is more subtle. The broad strategy agreed, Mr Major invented much of his own Budget; Mrs Thatcher left him to it. Mr Hurd feels that he is receiving much more support from the Prime Minister now that he is her Foreign Secretary than he did at the Home Office. In fact he got no support at all as Home Secretary, not even at difficult Conservative Party conferences; the Prime Minister only began to say what a good job he had done after she had tried to give it to Sir Geoffrey. As Home Secretary Mr Hurd saw Mrs Thatcher on his own just once a month; as Foreign Secretary he has a weekly meeting, and other contacts between. The Chancellor, too, is naturally in regular contact with his next-door neighbour. They both believe that they can win points by force of persuasion and argument – and that when Mr Major proclaims that the *case* for ERM entry is made then that, too will prevail. We shall see.

The ERM has become a symbol of European fidelity. If you are for entry you are properly European; if you are against it you are Mrs Thatcher. If, however, it is left on one side then the division inside the Conservative Party over attitudes to Europe need not lead to further internecine strife this year, at least in Mr Hurd's view. He believes that the issue of European unity can be kept off the boil by pointing to the many other tasks facing the EC: the future of the eastern European states, the negotiations with the European Free Trade Area countries, the GATT round, the completion of the Single Market by the end of 1992, further developments of the EMU, and the integration of East Germany.

As to the latter, British policy as agreed again on Tuesday is to be as helpful as possible, while noting three potential areas of particular difficulty. First, East Germany imports raw materials, oil and coal in bulk from its formerly Communist neighbours to the east, plus the Soviet Union. As a member of the EC these commodities should pay the relevant tariffs. An agreement on a phasing-in period of some years is expected. Second, France wants a special fund for EC regional aid to east Germany, while Britain favours using the existing structural funds. Both agree that the extra cash should come from West Germany. The third unresolved technical problem lies in the Prussian potential to grow cereals and flood the EC. Solutions are still awaited.

This sweetness and light on Mrs Thatcher's part might be reciprocated in tone by Mr Kohl, but the hard truth is that he is committed to a strengthening of the EMU as a prelude to a a strengthening of the EC, while she is of the opposite view. Most of Mrs Thatcher's political opponents at home, from Mr Michael Heseltine in her own party to Mr Kinnock and his immediate circle, would choose the Kohl rather than the Thatcher route for post-1992 Europe. So, I suspect, would many British voters. She may keep her nerve, but in the end she will not have her way.

## LOMBARD

# Vouchers are no panacea

**By Michael Prowse**

VOUCHERS – tokens which can be exchanged for goods and services – could become *the* public policy innovation of this decade. They could be as important in reshaping the public landscape in Britain as privatisation was in the 1980s. The Thatcher Government has already introduced spectacle vouchers within the NHS. This week, ministers agreed to experiment with training vouchers for young school-leavers. Enthusiasts will now press for vouchers in many other areas.

Public sector intervention has traditionally taken two forms. The first is the direct provision of services offered free (or nearly free) to the consumer. Obvious examples include the police and state schools. The second is the provision of cash transfers – for example, income support for the needy and state pensions for the elderly.

These are radically different kinds of intervention. In the first, the Government directly controls the way a service is provided. Individuals can influence the nature of the product but only through political debate at the local or national level. In the second, the public sector merely supplies purchasing power; it plays no role in service provision. Consumers are "sovereign;" nothing prevents a pensioner blowing his entire income on alcohol.

It is natural to seek a compromise between these two extremes. Bureaucrats seem to have too much power when they control service provision but too little when they hand over cash. Vouchers appear a halfway house: the Government does not attempt to anticipate the detailed requirements of client groups, but it ensures that taxes allocated for certain purposes are spent in broadly appropriate ways. Thus training vouchers cannot be dissipated in good living.

There are obvious limits to the likely infiltration of vouchers. Even a government led by Ralph Harris of the Institute of Economic Affairs would be unlikely to abolish the police force and offer citizens vouchers towards the cost of private law enforcement services. The battleground will be areas such as education (and possibly health care), where the arguments are less clear cut.

Vouchers should not be regarded as a right-wing policy just because free market economists have championed them. There is nothing inherently right-wing about mechanisms which shift power to consumers. But there are many pitfalls. One is that people often lack the information to make appropriate choices: this seems a real danger in the case of training. Indeed, if vouchers are to be introduced in education, it might make more sense to start either with university students or with secondary schools (where parents would make choices). But the choice argument cannot be pushed too hard – mistakes are also made when public officials control service provision.

A bigger danger is that vouchers will prove a smokescreen behind which the Government steadily withdraws from the financing as well as the provision of services. At best, vouchers are likely to be indexed for general inflation. Yet costs rise much faster in most service industries. The shrinkage of effective purchasing power would exacerbate another problem with vouchers – the risk that "topping up" out of private resources will accentuate inequalities of opportunity. With a public service, everybody (in theory) is treated equally. Vouchers are likely to create many-tiered services. For example, in education, better schools would charge more than the basic state voucher and thus attract disproportionate numbers of middle class families.

Such abuses need not occur. A well-intentioned government could maintain the effective purchasing power of vouchers. Indeed, it could deliberately skew the benefits towards the disadvantaged by giving them much larger vouchers. It could enforce standards by vigorously regulating the private suppliers of services purchased with vouchers. My fear, however, is that this Government would do none of these things. In its hands, vouchers could lead to greater inequality, lower standards and less real choice for the disadvantaged.

## LETTERS

### Training must mean more than falling in behind rivals

*From Mr David Griffiths.*

Sir, The recent correspondence relating to compulsory training of young adults seems to be based on the premise that all we have to do to improve our competitive position is to adopt the training arrangements current in Japan and West Germany.

It seems to be ill-conceived to assume that we can catch up by falling into step well to the rear. If the UK is to re-emerge as a leading industrial power, we need rather more wide-ranging and creative solutions.

The traditional five-year craft apprenticeship was largely abandoned because it failed to come to terms both with industrial requirements and the needs of individual trainees, but it had two major virtues.

First, it was socially acceptable and working-class parents were involved in choosing what they perceived to be the best apprenticeship for their sons.

Second, the major part of the training was on-the-job real-life problem solving, rather than artificially constructed training exercises.

The apprentice had an expert on which to model his behaviour and he "learned to learn" from experience.

He underwent the long period of deprivation, secure in the knowledge that future status and income were guaranteed. When these conditions were no longer met, the system fell into disuse.

It is questionable whether the present training arrangements – or indeed those of Germany and Japan – are socially accepted. That formal training conducted in institutions is by definition beneficial has become unchallengeable dogma. Very few heretics remain who believe that we learn "in spite of" rather than "because of" the education and training systems.

Surely we need to emphasise learning rather than training.

Responsibility for the knowledge and skills to be transmitted can safely be undertaken by line managers and senior colleagues. This by no means dispenses with the roles of trainers and educators.

There is a substantial role for the formal system although it would be helpful if the rather bizarre Spanish customs – long summer vacations, courses with a single annual enrolment date, etc – were dispensed with.

It is essential that we are sensitive to the fact that there is, in this country, a widespread hostility to training.

Our learning problem is immense and is by no means limited to younger workers. All ages and levels need to be developed. Young people have distinctive tastes in music and clothing but attitudes towards work and training they share with the wider community. Any solution to our difficulties must take account of our special qualities – strengths as well as weaknesses.

Our workforce can be loyal, conscientious and hard working – given the right circumstances – but they do not take kindly to compulsion.

David Griffiths,
*Managerial Resources,*
*Robjohns House,*
*Navigation Road,*
*Chelmsford, Essex*

### Majority favour Hanson conversion

*From John H. Pattisson.*

Sir, Mr Stephen Hugh-Jones (Letters, March 28) gives a totally misleading impression of the "plight" of Hanson loan stockholders forced to accept premature conversion.

The vast majority of the holders of the stock have elected to convert into Hanson shares after less than four years because they expect thereby to receive a higher income in future from the ordinary dividends. It is almost unique for this to occur so early in the life of a convertible, a tribute to Hanson's success and the confidence it enjoys among investors.

Enforced conversion of outstanding loan stock once 75 per cent has been converted is a perfectly normal term for such issues, of which Hanson has always given due notice. Any holder who does not want to take the ordinary shares is still able to sell his holding in the market, currently at a price of about £175 per £100 nominal of stock – a gain of 75 per cent in less than four years. Adding that to the income yield of 8½ per cent (as calculated by Mr Hugh-Jones) gives a total annualised return of over 27 per cent.

J. H. Pattisson,
*Hanson PLC,*
*1 Grosvenor Pl, SW1*

### Exploring poll tax alternatives

*From Professor Frederic J. Jones.*

Sir, I have some sympathy with Mr John Thomson (Letters, March 27) in reply to my own on alternatives to the poll tax (Letters, March 22).

However, my letter made two main points.

First, that the value of land accrues almost wholly from the presence and activities of the communities around it and should, therefore, bear the predominant local tax.

Second, that a local income tax would encourage municipal profligacy while simultaneously discouraging enterprise.

He avoids the first point by acknowledging only half of my argument, while his second point, advocating a local income tax, clearly fails to meet my other exigencies.

By contrast, site-value rating is tied strictly to the regularly assessed economic rent of land and cannot under any circumstances rise beyond it.

I wholly take his other point that site-value rating would help small businesses but would extend it to all businesses, including farms.

Moreover, I see no reason why, when full site-value rating is operative, part of the impost should not be returned to central government to alleviate income tax, from which we would all benefit.

This can clearly be justified by the fact that three quarters of local finance is supplied by the Government in any case.

Frederic J. Jones,
*Department of Italian Studies,*
*University College,*
*Cardiff*

*From Mr D.S. Redfearn.*

Sir, It is to be feared that Mr John Thomson, who claims as a disadvantage of site-value rating the alleged fact that only landowners are taxed, is still trapped within the frame of reference that makes a poll tax even conceivable.

Nobody , it is thought, contributes to the revenue unless he receives a bill, and writes a cheque to meet it, or, alternatively, gets less in wages or pays more in prices.

On the contrary, in the city of X-ville, every single inhabitant or visitor, by his or her mere presence as a worker, customer or tourist, contributes to the value of its land; and the tax on site-values is the instrument by means of which these thousands of contributions can be collected, and put to their proper use of maintaining the quality of life within the city.

It is the present convention, by which private individuals or corporations are the beneficiaries of the value created by communal activity, and wage-earners or spenders are considered fair game to be mulcted, that needs to be justified.

David Redfearn,
*Fennell's Close,*
*Eastbourne,*
*East Sussex*

### Lack of faith suggested

*From Mr G.D. Osbourne Bantram.*

Sir, As senior trustee of a pension fund, I must endorse the view expressed by Mr J. Cornyn (Letters, March 28).

Our investment policy is to seek and back adequate management to enhance both the assets, and the dividend income of enterprises that we judge to have a range of healthy product life cycles.

To buy in shares suggests that the directors have little faith in their continuing ability to grow the business with the income stream at their command. Maybe that is why ICI shares are underrated.

G.D. Osbourne Bantram,
*The Hermitage,*
*125 Westbury Road*
*Westbury-on-Trym*
*Bristol BS9 3AP*

FINANCIAL TIMES
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DIPLOMATIC ROW BREWS OVER ARRESTS

# Net closes on weapons smugglers

By Jimmy Burns in London

UK CUSTOMS officers have uncovered a second Iraqi illegal smuggling operation, this time involving the export of restricted naval equipment to Iraq from Britain, after raiding premises in Edinburgh and at several locations in the North West of England.

The raids were on the offices of an unnamed British company which manufactures equipment - including acoustic detonators used to produce sea mines, which officials believe could be used in key oil routes.

They follow the arrest of five people on Wednesday in connection with a foiled attempt by Iraq to smuggle electronic triggers for nuclear warheads. Yesterday a tense diplomatic war of words escalated between London and Baghdad.

Exports to Iraq of acoustic detonators from Britain are banned under UK regulations and under an international agreement which ties the United States, France, West Germany, and Italy, the other main equipment producers.

In San Diego, California, yesterday documents filed by the US Attorney General's office revealed that the electronic triggers were destined for the Iraqi Ministry of Industrial and Military development.

Yesterday's raids which led to the removal of documents but not, as yet, to any arrests follow a separate investigation over several months by British customs officials.

Senior customs officers said that the British company involved in yesterday's raids was not Euromac of Thames Ditton in Surrey, one of the companies at the centre of the attempt to smuggle nuclear trigger devises to Iraq.

Meanwhile, concern is growing in Washington over the possibility that Baghdad has obtained weapons-grade nuclear materials that could be used in a missile warhead, writes Alan Friedman in Washington. It is unclear whether the suspicions concern purified enriched uranium or whether Iraq has succeeded in salvaging part of the Osirak nuclear reactor bombed by Israel in 1981. Background, Page 6

# Iraq threatens to retaliate against Britain

By Robert Mauthner and Ivor Owen in London

IRAQ yesterday threatened retaliation for any measures Britain might take in connection with the alleged plot to smuggle devices for triggering nuclear bombs, bought in the US, out of Britain.

The threat went hand in hand with a vigorous official denial of "British allegations," conveyed to Mr Robert Kealy, the British chargé d'affaires in Baghdad, who was summoned to the Iraqi Foreign Ministry.

In the House of Commons, Mr Douglas Hurd, the Foreign Secretary, strongly defended Britain's reluctance to break off diplomatic relations with Iraq over the affair. Mr Hurd underlined the "considerable risk and damage" which could result from such an action.

Not only would British citizens, including two prisoners, be left without protection, but the Baghdad embassy was the only one functioning "between the Khyber Pass and the Mediterranean." The Foreign Secretary was referring to the fact that Britain at present had no diplomatic relations with either Syria or Iran.

While not entirely ruling out action in the United Nations Security Council, Mr Hurd thought it preferable to concentrate international action on improving the effectiveness of the Nuclear Non-Proliferation Treaty and the Missile Technology Control Regime. He was replying to criticism from Mr Gerald Kaufman, the Labour Party's foreign affairs spokesman, who said the Government had been "culpably complacent" in its initial reaction to the affair.

Mr Marlin Fitzwater, US President George Bush's spokesman, said in Washington that the issue strengthened US concern about nuclear proliferation in the Middle East, which continued to pose both a serious risk to US interests and to exacerbate regional problems.

In Baghdad, the British chargé d'affaires was told by Mr Nizar Hamdoun, the Deputy Foreign Minister, that Iraq, which had signed the Nuclear Non-Proliferation Treaty, reserved its full right to the transfer of technology from any other states.

British accounts of the case were part of a media campaign intended to prepare the groundwork for an Israeli aggression against Iraq, reminiscent of the year 1981, when Israel jets bombed an uncompleted Iraqi nuclear reactor, Mr Hamdoun was quoted by the Iraqi News Agency (INA) as having told the British diplomat.

Without specifically mentioning the affair of the nuclear triggers, President Saddam Hussein said yesterday that enemies of the Arabs were trying to hinder Iraq's "march of progress."

"The fires are intensifying, whether by aggressions or conspiracies, but the Iraqi people will not be worn down," the President told a rally in Baghdad.

# Soviets to sign blueprint for democracy

By David Goodhart in Bonn

AN HISTORIC charter committing the Soviet Union and the states of eastern Europe to the principles of free trade and free market economics is likely to be agreed next week in Bonn at the first economic conference organised by the 35-nation Conference on Security and Co-operation in Europe (CSCE).

The east-west trade and business charter would commit the 35 conference member countries to "endeavour to achieve" multi-party democracy, free and competitive market economies where supply and demand determine prices, sound fiscal and monetary policies, unrestricted trade and capital flows and free transfer of capital and profits in convertible currency.

These elements come from a 10-point plan, the "Bonn principles of economic co-operation," presented yesterday by the US delegation, which will be merged with a similar, although somewhat less stark, document drawn up by the European Community.

The final charter, the economic equivalent of the CSCE's human rights document drawn up in Helsinki in 1975, would not be legally binding but would carry considerable moral and political force. Promoters of the document argue that the forces backing liberal economics in the former east bloc, along with foreign businessmen wanting to do business there, would be able to use the document, just as dissidents used the human rights charter, to speed change.

The CSCE itself is seen as an organisation acquiring increasing weight given the moves towards change in both the Nato and Warsaw Pact alliances.

Most western delgates to the conference say the newly independent states of eastern Europe scarcely need encouragement and "are vying with each other to adopt the most radical free market stance," according to Mr Mitchell Graham, head of the Canadian delegation. "For the first time at a CSCE meeting there is no East bloc," said Sir Anthony Williams, head of the UK delegation. Victims of the change, however, are the neutral countries, such as Sweden, which used to have an important broker role between east and west.

The Bonn economic conference, described by Mr Helmut Haussmann, the West German Economics Minister as the most important in European history, has attracted little attention since its opening last week. That may change next week, however, when Mr Eduard Shevardnadze is expected to visit the conference in the post-modern Maritim Hotel in Bonn.

Much of the discussion so far has been technical, although all delegations have also brought businessmen active in east-west trade to provide advice and do some business. It is hoped that the conference will become a regular event.

The West German hosts are determined that a position will finally be agreed despite some reservations about the US document from the Soviet Union and some Scandinavian countries. The Soviets have no problem with a general commitment to market principles, but they dislike talk of unrestricted capital flows and believe there is insufficient reference to social safety nets.

The EC, which is seeking official representation at CSCE conferences and is currently represented alongside Ireland, which holds the EC presidency, has produced a more practical document stressing, for example, the importance of reliable economic statistics.

The two documents will be worked together over the next few days. Other points in the US document include: full recognition and protection of private property including intellectual property; prompt payment of adequate and effective compensation in the event private property is taken for public use; and national economic objectives focused on productivity.

One West German official feared that the Soviet Union might be frightened off from agreeing to the document if the US or other western countries made the payment of aid dependent on signing.

# Forum may lead Hungary's next government

By Nicholas Denton in Budapest

THE Hungarian Democratic Forum moved a step closer to leading Hungary's next government yesterday as the leadership of the Smallholders Party, which holds the balance of power, appeared inclined towards an electoral pact with the Forum.

The Forum goes into the second round of Hungary's election on April 8, with a crucial lead of six seats over its main rivals, the liberal Alliance of Free Democrats. The main competition is now for the 171 constituency seats for which run-off elections will be held between the three candidates who were placed best in last Sunday's first round.

The Free Democrats' only hope of reversing the Forum's current lead and winning despite lower popular support is to conclude deals all over the country with the rural based Smallholders whereby each stands down where weaker.

Yesterday the Free Democrats said they had made such an arrangement with the Smallholders in one county and with the alliance of Young Democrats. Negotiations with the Smallholders were at a "mature stage" at a local level.

But Mr Jozsef Antall, president of the Forum, said that discussions with the Smallholders and the Christian Democratic People's party were taking place at a national level.

The Forum leader believes the majority of Smallholder leaders were sympathetic to his party.

Mr Antall dismissed the possibility of a government of the Free Democrats and the Smallholders. "For that you would have to change all the Smallholder leaders. Only Prepeliczay (the general secretary of the Smallholders) is a Free Democrat sympathiser."

The international community has been nervous about a Hungarian government dominated by the Forum. For Hungary's most widely known economists have put themselves at the disposal of the Free Democrats and some politicians in the populist wing of the Forum have supported a price freeze.

But as the Forum has approached power Mr Antall has quietened the party's demagogic voices and the financiers of Hungarian origin have become influential in economic policy making. Mr Istvan Bethlen and Mr Adam Batthany, both of famous aristocratic families, advocate free market policies as forcefully as the Free Democrats.

They have stiffened the Forum's resolve to avoid rescheduling of Hungary's debt and sharply attacked the "irresponsibility" of Free Democrat proposals to reduce payments and the party's enthusiasm for debt-for-equity schemes.

In the Free Democrat economic programme, the party declares that "our aim is to achieve the suspension of interest payments for a few years."

Although the party's economists have recently distanced themselves from this measure, Mr Karoly Soos, tipped for an Economic Ministry under a Free Democrat government, admits that the party was indirectly involved in discussions with western bankers on a debt-for-equity scheme.

Mr George Soros, the Hungarian-American financier, who has backed the Free Democrats, was the originator of the plan. At a meeting in London in late February he proposed that debt incurred before the new government took office should be treated differently to that incurred afterwards.

Foreign exchange coming into Hungary for equity investment should be earmarked for the buying back of debt at a substantial discount on the face value.

Since Hungarian debt does not currently trade at a discount this would imply some kind of moratorium.

Mr Soos denied he was at the London meeting. Rather it was Mr Marton Tardos, another Free Democrat economic expert, who attended and had "some cautious ideas" about debt reduction schemes.

# Hawke starts work on new-look Cabinet

By Chris Sherwell in Sydney

MR BOB HAWKE, re-elected to an historic fourth successive term as Australia's Labor Party Prime Minister, began planning a new Cabinet yesterday as the defeated opposition Liberal-National coalition sought a leader to replace Mr Andrew Peacock.

Mr Peacock conceded defeat yesterday afternoon and resigned the Liberal Party leadership after further counting of votes in last Saturday's federal election confirmed Labor would have a small but workable majority in the 148-seat House of Representatives or lower house.

The emergence of a clear result was expected to lift a pall of uncertainty hanging over the country and its financial markets, but it remained uncertain whether Labor would display the resolve needed to tackle Australia's economic problems.

In revamping his Cabinet, Mr Hawke must accommodate the preferences of the party's faction leaders. He is expected to replace at least three ministers and to reshuffle other positions, but Mr Paul Keating will stay on as Treasurer and is expected to become Deputy Prime Minister.

On the opposition side, Mr Peacock signalled support for Dr John Hewson, the Liberal Party shadow Treasurer, as his successor. Mr Hewson, 43, won his seat in Parliament in 1987 but demonstrated his capabilities in the latest campaign.

Mr Charles Blunt, the present leader of the National Party, was awaiting news yesterday of whether he would retain his closely contested seat. Either way, he is likely to face a fight to hold on to the leadership.

A new leader is also being sought for the minority Australian Democrat Party. Its head, Mrs Janine Haines, gave up her Senate position to fight for a seat in the house and lost, while the party as a whole increased its share of the national vote.

After settling the Cabinet membership, the new Labor Government's first priority will be to implement its promise to drop official interest rates after formal consultations with the Reserve Bank. The hope is that this will quickly feed through to retail and mortgage rates.

Its medium-term task is to continue its gradualist, consensus-based programme of structural economic reform, which weakened markedly during its third term. The Government is also expected to face a clash between businesses and unions over economic development and demands by the newly-powerful "green" lobby for environmental protection.

Internally, Labor must also settle its own leadership succession question involving Mr Hawke and Mr Keating, particularly if the government looks unlikely to last a full three-year term. With the record of Sir Robert Menzies apparently in mind, Mr Hawke indicated in the campaign that, if he won the 1990 election, he would want to stay on and fight the next one.

Editorial comment, Page 18

THE LEX COLUMN

# Ringing the changes at Telecom

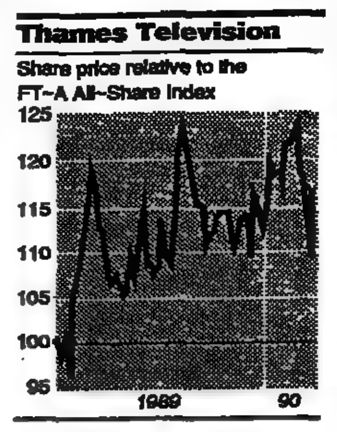
It was not hard to spot the well-manicured hands of management consultants behind British Telecom's restructuring announcement yesterday. Normal people do not talk about "customer facing divisions", and the layman might assume that "coherent architecture" means buildings which talk back to Prince Charles. Large companies seem to have a recurring need for self-analysis and reorganisation; the current fashion, as BP recently showed, is for product- and customer-led structures rather than geographical ones. A frequent result of restructuring is disruption and power struggles within the system. The departure of Mr Odgers, the outsider brought in to shake up BT, is a bad omen.

However, there are potential benefits to shareholders. The job losses resulting directly from this plan may be limited to a few thousand; but others were already in the pipeline because of British Telecom's investment in new technology. If the rumoured 30,000 reduction in staff can be achieved over three years, the potential cost savings will be around £480m. However, the DTI's forthcoming green paper on the telecom duopoly may be just as significant a spur to action. On the one hand it will demonstrate, to the regulators at least, BT's determination to reduce costs and deliver the best service to customers. And by bringing the international division into the fold, BT can head off any thoughts of a break-up.

## Thames TV

Thames Television

Share price relative to the FT-A All-Share Index




For the past five years at least, it has been evident that Thorn-EMI and BET were likely to hoist the For Sale sign over their 56 per cent of Thames Television at some point in the early 1990s. All the same, the impending auction takes investors and the British television industry into virgin territory. It is significant that among the more than 30 interested parties already said to be queuing up are a crop of exotic foreigners, with presumably a bewildering variety of ways of appraising the value of a TV contractor. The 7 per cent rise in Thames's share price to 506p yesterday looks a mere shot in the dark.

Other uncertainties stem from the industry's tiresome internal politics. Parties from outside the European Community cannot buy more than 20 per cent. Even the timing is hazy; since the Independent Broadcasting Authority will not want to approve a full bid for Thames until the present Broadcasting Bill has royal assent, the auction could take anything from 3 to 9 months, depending on how big a fuss about the bill the Lords makes. Nor do we know the precise criteria the IBA would employ in sizing up Mr Berlusconi, say, as Thames's new boss.

It is not even clear that the stock market thinks Carlton, Thames's previous suitor, will bid. The further 6 per cent drop in Carlton's shares yesterday may just have been down to general qualms about the company, which would probably not want to get into a bidding battle with high-spending foreign rivals. As for Thames's management, they would most likely prefer the 56 per cent spread between a few friendly owners from the media world. Doubtless the IBA will have its ear bent accordingly.

## Redland

It was a cruel but probably fair consequence of Redland's results yesterday that its gloomy comments about parts of the UK aggregates and ready-mix concrete market knocked 4 per cent off the shares of its rival, RMC. The consolation RMC can take is that at last night's close of 561p Redland's shares, at 9.2 times 1989 earnings, are looking a shade over-valued. The stock has had a long run-up against the sector, inspired by Redland's 80 per cent share of the concrete tile market in West Germany and all that implies in terms of strong growth both before and after German reunification. The snag is that the German factor does not look big enough to make up for the suffering still to come in the UK.

Financially, Redland is as well run as ever, with its tax charge looking firm at 25 or 26 per cent well into the decade. But the deepening price war in UK and European plasterboard has deferred until 1993 or so the pay-off on Redland's £55m capital investment in that market. Volume in UK roof-tiles and bricks is still falling; and though Redland says it has had price increases of 9-11 per cent for dry-stone, sand and gravel, demand has weakened there too. With the impact in 1990 of dividend payments on $250m of US preference stock, it is hard to see Redland's earnings per share moving ahead much this year.

## Polly Peck

Polly Peck's full year figures offer a familiar picture of startling but slightly impenetrable success. As usual, there is no detail to speak of on the group's operations. But at the pre-interest level, profits are up by more than half; and though the increase in earnings per share is a more modest 16 per cent, the 37 per cent rise in the dividend is a striking assertion of confidence.

The shares have outperformed the market by a remarkable 110 per cent in the past three years, and by 30 per cent since the Del Monte deal last September. They have also underperformed by a third since their peak in 1983; but that, as the stock's admirers would say, is beside the point. While the market does not understand Polly Peck's success, it does not really understand that of Hanson or BTR either. It has simply learnt to take the latter two on trust. If forecasts of a 20 per cent increase in earnings this year are reliable, the shares at yesterday's 393p are on a multiple of 7.6, which is a lower discount to the market average than was traditional before the Del Monte deal.

Meanwhile, the capitalisation of the entire £264m of Del Monte goodwill as brand value is a genuine curiosity. In enlisting the support of its auditors to defy the proposed accounting standards, Polly Peck is only following the example of Cadbury a month ago. The twist is that while Del Monte fresh produce may mean something to the trade, to the world at large it means tinned fruit; and the tinned business, of course, is owned by a separate and heavily-geared management buyout from RJR Nabisco. It has become commonplace to argue that the amortisation of brands is covered by the expense of advertising; it is novel to rely on the bill being paid by someone else.

# EMU deadline sought

Continued from Page 1

ical institutions.

Chancellor Kohl also reportedly agreed to this idea during a meeting this week with Mr Charles Haughey, Prime Minister of Ireland, which currently holds the EC presidency. However, Mr Jacques Delors reportedly said in Paris yesterday that while he, too, favoured the idea of a second intergovernmental conference, he doubted if the topic could be dealt with at the Dublin summit.

Italy plans to produce a paper on political reform which will complement one already produced by Belgium. This argues for increased powers for the European Parliament and for defining an institutional role for the European Council – the heads-of-government summits which are held three or four times a year.

Mr De Michelis said that Italy wanted to see the introduction of full majority voting in the EC on all matters where it was required by the existing treaties and an increase in the European Parliament's powers of initiative and control over the European Commission.

He believes that the aim should be to reach agreement on political reforms by the end of 1991 so that the reshaped institutions and the next steps towards EMU are ratified by national parliaments during 1993.

# Oil threat faces Gorbachev

Continued from Page 1

ing a 4 per cent drop in oil production, a 6 per cent fall in coal output, and a 1 per cent fall in industrial output.

Average wages in the two months increased by 15 per cent and the number of workdays lost from strikes exceeded the entire number for 1989.

The latest threat comes from the official trade union leadership, hitherto part of the Communist Party establishment, and a conservative force. The open letter, published in yesterday's issue of Moscow News, was from Mr Nikolai Trifonov, chairman of the Tyumen committee of the trade union.

## WORLDWIDE WEATHER

| | | Y'day midday °C | °F | | | Y'day midday °C | °F | | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder.
† Noon GMT temperatures

FINANCIAL TIMES
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## INSIDE

### Junk bond time bomb ticks away

Drexel Burnham Lambert, the pioneer of high-yield bonds, devised the "reset" bond to offer investors a promise that the interest rate would be adjusted periodically to restore debt to its original face value. However, this ingenious marketing tool has turned into a time bomb for the junk bond market, reports Janet Bush. Page 27

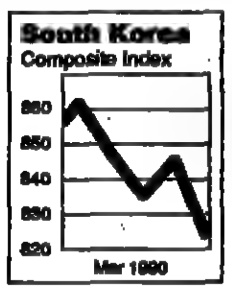
### ICI idylls in a country garden

The camera focuses in on an idyllic scene in an English country garden. Conservationist Dr David Bellamy enjoys lazy dreams against a backdrop of bees buzzing, birds trilling and strains of Bach. Suddenly, the sound of a helicopter breaks into his reverie as it sprays crops in the neighbouring field. This is the improbable opening of ICI's bid to persuade the public that its pesticides are safe. Bridget Bloom reports on declining consumer confidence in agro-chemicals. Page 36

### Nova welcomes a rubber cheque

It is either a foolish sacrifice or a canny response to an irresistible offer. However the decision by Nova Corp, the Calgary-based petrochemical, pipeline and energy group, to invite bids for its rubber business is eventually interpreted, there is no doubt that the debt-burdened company will welcome the C$800m-C$1bn ($855m) expected from the sale. Bernard Simon reports. Page 32

### South Korea's star clouds over




South Korea's stock exchange, once a star performer among emerging markets, has been suffering a protracted spell in the doldrums. Since the beginning of 1990 the index has fallen by almost 10 per cent, and now stands at its lowest level since the start of last year. John Ridding examines efforts to revive the South Korean market's flagging career. Back Page

### History in the making

Nikko Co has made the history books with an unorthodox attempt to fend off an unwelcome suitor. The asphalt plant manufacturer has launched an insider trading action against Sanwa Enterprise. The move, the first of its kind in corporate history, could have wide-ranging effects on other cases, such as the attempt by US investor T. Boone Pickens to get board representation at Koito Manufacturing. Page 25

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Beiersdorf | 830 | + | 10 | Damart | 3866 | + | 186 |
| Linde | 1019 | + | 40 | Fromageries | 2450 | + | 111 |
| MAN | 504 | + | 17.5 | Peugeot | 851 | + | 11 |
| Schering | 894.8 | + | 16.8 | **Falls** | | | |
| **Falls** | | | | Eurafrance | 2101 | − | 64 |
| Hapag Lloyd | 500 | − | 10 | Immobanque | 850 | − | 10 |
| Nixdorf | 326 | − | 10 | Taittinger | 4816 | − | 84 |

| NEW YORK ($) | | | | TOKYO (Yen) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Curtiss-Wright | 65¼ | + | 1¾ | Central Finance | 1210 | + | 120 |
| Nat. Med. Ents. | 32⅛ | + | 1⅛ | Nihon Kentetsu | 3100 | + | 300 |
| **Falls** | | | | Riken Electric | 1330 | + | 140 |
| Balmco | 10⅝ | − | 2⅞ | **Falls** | | | |
| Chips & Techs. | 18½ | − | 1¼ | Eighteen Bank | 1160 | − | 140 |
| Torchmark | 45⅛ | − | 1⅜ | Mitsub. Steel | 1600 | − | 190 |
| US Shoe | 20 | − | ⅞ | Nisshin Fire | 1000 | − | 150 |

New York prices as at 12.00pm.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | Brit. Steel | 140½ | − | 3 |
| Brit. Aerospace | 518 | + | 10 | Camford Eng. | 311 | − | 7 |
| Burmah | 599 | + | 9 | Carlton Comms. | 555 | − | 33 |
| London Forfait. | 79 | + | 10 | Grand Met. | 586 | − | 9 |
| Maxwell Comms. | 186 | + | 5 | Hanson Chld. | 623 | − | 6 |
| Pearson | 691 | + | 6 | Midland Bk. | 334 | − | 7 |
| Reuters | 1119 | + | 31 | RMC | 620 | − | 26 |
| Scott. TV | 494 | + | 10 | Racal Elec. | 199 | − | 6 |
| Siebe | 459 | + | 9 | Racal Telecomm | 348 | − | 8 |
| Sun Life | 1248 | + | 25 | Scot. & New. | 289 | − | 8 |
| Thames TV | 506 | + | 32 | THORN EMI | 671 | − | 9 |
| **Falls** | | | | | | | |

Michel François-Poncet: will concentrate on setting strategy under planned changes at Paribas

# Paribas profits advance 30% to top FFr3.4bn

By William Dawkins in Paris

PARIBAS, the leading French investment bank, yesterday reported a 30 per cent increase in net profits to FFr3.45bn ($605m) for last year, a slowdown from the previous 12 months' 54 per cent rise in earnings.

The result, in line with the bank's own forecasts, coincides with a board decision yesterday to reinforce Paribas' management following its abortive bid for Navigation Mixte, the food to financial services conglomerate.

Paribas is proposing to split its present single management board in two: a strategy-setting board to be headed by Mr Michel François-Poncet, the current group chairman, and a day-to-day management body, to be headed by Mr André Lévy-Lang.

Mr Lévy-Lang is chief executive of Compagnie Bancaire, the specialised leasing and mortgage lending bank which is Paribas' biggest and most successful subsidiary. He will become the group's chief operating officer.

The proposed changes are to be presented for ratification to a shareholders' meeting on May 30.

Estimated net assets climbed 44 per cent from FFr32.8bn to FFr47.3bn last year, representing a rise in assets per share to FFr790 at the end of 1989, from FFr610 at the end of 1988.

Net provisions, meanwhile, fell from from FFr4.4bn to FFr3.6bn at the end of last year.

A reduction in the outstanding debts owed by risky borrowers allowed Paribas at the same time to increase its provisions as a proportion of sovereign debts to 54 per cent, from almost 47 per cent a year earlier.

Paribas plans to take out insurance polices against its biggest sovereign risks in future, so that it will no longer be necessary to increase debt provisions. The change will have no significant impact on this year's performance, said the group.

Of the total net profits, FFr1.185bn came from the main banking subsidiaries, 23 per cent more than the previous 12 months, while income from financial market activities climbed by 38 per cent to FFr1.6bn.

The rise in banking profits was mainly due to Paribas, Compagnie Bancaire and Crédit du Nord, the retail bank which returned to profit after two years in the red.

Earnings on Paribas' revenue account rose to just over FFr2bn, from FFr1.9bn.

# BT plans will lift rate of job losses

By Charles Leadbeater, Industrial Editor

BRITISH TELECOM yesterday unveiled plans for the most far-reaching internal reorganisation since its privatisation in 1984. It includes an acceleration of job losses and could lead to 10,000 jobs lost a year over the next three years.

The re-organisation, which has claimed Mr Graeme Odgers, BT managing director, as its first casualty, is expected to lead directly to between 2,000 and 4,000 job losses among managers.

It is intended to prepare BT to compete in more internationalised markets, but it should also lead management to take a more aggressive approach to staff reductions. The restructuring, to be implemented over the next year, comes on the heels of BT's substantial recovery from its 1987 trough, when quality of service hit a low.

Under the new structure, BT's divisions, UK communications, international services and communications will be disbanded. They will be replaced by divisions covering business communications, personal communications and special businesses in the UK and internationally.

Lex, Page 20. BT's vision, Page 23

# Hanson takes full control of Peabody

By Kenneth Gooding, Mining Correspondent, in London

HANSON, the UK conglomerate, which last month paid $504m for 45 per cent of Peabody, the biggest US coal producer, yesterday agreed to buy the rest for $715m.

Some analysts suggested that $1.22bn was a relatively high price to pay for Peabody unless Hanson already had a buyer for the whole company. However, Mr David Clarke, president of Hanson Industries, the group's US subsidiary, dismissed this idea. He said: "We didn't buy Peabody to flip it."

Mr Clarke described Peabody as "a wonderful business, a very efficient coal producer." The most important consideration for Hanson, he pointed out, was that in a normal year Peabody could be expected to produce a cash flow of $255m. "So we have paid five to six times cash flow, which is in the usual Hanson ballpark."

Hanson will buy the 55 per cent stake in Peabody from Newmont Mining, the US gold company in which it has a 49 per cent stake. This was acquired when Hanson took over Consolidated Gold Fields of the UK.

The deal will considerably reduce Newmont's debt load – built up in 1987 when it was defending itself against an unwelcome bid from a group lead by corporate raider Mr T. Boone Pickens – and make the gold company more saleable.

Mr Clarke insisted, however, that the motivation for the Peabody deal was not "to dress up Newmont." He admitted, however, that the deal made Newmont more valuable. "We are delighted to have 49 per cent of North America's largest gold company," he added.

Newmont's share price rose by $2.50 to $47⅞ after the news yesterday giving the company a market value of about $3.2bn. Some analysts suggested that Hanson would have difficulty finding a buyer for such a high-priced asset. "All the gold companies we have talked to say Newmont is too expensive," commented Mr Philip Taylor, analyst with S G Warburg Securities.

However, Mr Philip Hurley, analyst at James Capel, suggested: "Hanson has a master plan for Newmont and step one – the Peabody sale – is now complete." This week's sharp fall in the gold price would probably delay matters. "We shouldn't expect much on the Newmont front until the price recovers," he added.

Mr James Hill, Newmont's vice president, corporate relations, said his company would collect about $600m after tax from the sale and there would be a pre-tax book gain of $284m. Newmont's debt would be reduced to between $550m and $600m. About $450m of this was in low-cost gold loans or swaps. Newmont's annual interest bill, $85m last year, would fall below $20m.

# Record result at Deutsche Bank

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's largest financial institution, yesterday announced record profits for 1989 and outlined its "vision" of a network of 250 branches and 4,000 to 6,000 employees in East Germany.

Amid continued speculation over Deutsche Bank's intentions towards East Germany's state bank network, Mr Hilmar Kopper, speaker (chief executive), strongly denied that Deutsche Kreditbank, the commercial operations of the East German state bank, would be swallowed by Deutsche in one go.

"There are no current negotiations" he said, hinting that taking on some DM300bn ($176bn) odd assets with completely unquantifiable risks was a tall order.

Deutsche Bank's group partial operating profits rose by 24.8 per cent to DM3.87bn last year. The bank still does not put a figure on its full operating profits, which include income from own account trading, but indicated that the figure rose by 22.6 per cent, also a record. The total is estimated at DM4.67bn.

While the absolute numbers were higher in 1986, this was because of an extraordinary gain through the disposal of the Flick brothers' industrial holdings. A DM2 rise in the 1989 dividend to DM14 has already been announced. Mr Kopper said profits had risen in the first two months of 1990, although difficult domestic bond market conditions meant that the trading account contributed less to that increase. However, he also soundly put to rest, in Deutsche's case, speculation that sharply lower bond prices were hurting the big German banks.

Unusually, he revealed the – very minor – write-downs on the securities portfolios of DM99m at the end of 1989 (DM70m on bonds), rising to DM112m (DM65m on bonds) at the end of February. Commerzbank for instance reported write-downs of DM300m for the end of last year.

Arranged for the first time on the podium beside the bank's other 12 board members was Mr John Craven, chairman of Morgan Grenfell. He is the first foreigner on the board and represents Deutsche's DM950m commitment to merchant banking. Commenting on the integration process in train, Mr Craven said that Deutsche's New York and Tokyo institutional investment management operations had already been folded into Morgan Grenfell's activities. He added that most of Deutsche's asset management was domestic and retail in nature.

On the mergers and acquisitions front, for which he is responsible at board level, Mr Craven characterised the activities there also as largely complementary, but agreed that no decision had yet been made as to how the existing domestic M&A business would be organised.

A change in Deutsche's philosophy also emerged yesterday with Mr Kopper's criticisms of the common German practice of limiting shareholder voting rights, regardless of the size of their stake. He called the present arrangement a "foreign body in a free market economy."

# France opens its doors for Nordic paper quest

**William Dawkins** on the future of Chapelle Darblay

It says a lot about the openness said to be shaping France's industrial policy these days that the Paris Government looks ready to let a Nordic company take over one of the last four big papermakers left in French hands.

Mr François Pinault, the headstrong Breton who controls Chapelle Darblay, France's biggest newsprint maker, is negotiating with several bidders. The front-runners include a possible joint bid from Stora, the Swedish pulp and paper producer, and Kymmene, one of Finland's largest forest groups, with a view to splitting the business between them. The scene is viewed by Paris industry officials with a calm that would have seemed surprising a few years ago.

It is not yet clear whether it will be a full or partial sale, or whether another player will take the prize at the last minute. But the fact that the talks are moving at all is revealing because the previous Socialist Government viewed the ownership of France's most politically controversial paper group as sacred.

In the three years up to 1987, the Government pumped FFr3.2bn ($557m) into a near-bankrupt Chapelle Darblay – a national record in terms of subsidy per head for its 1,000 workers – on the grounds that, as producer of more than half of French newsprint consumption, the privately-owned company was strategically vital.

Now, French industry officials feel instead that they should accept the inevitable and let Chapelle Darblay, with its FFr2.4bn annual turnover, become part of the wave of mergers which has swept across the European paper industry with growing speed over the past five years.

The Government's only condition for the possible sale would be that Mr Pinault pays back a quarter of the capital gain he makes from selling the company. He is said to be hoping to fetch about FFr1.5bn, more than twice the FFr700m he has put into the business over the years. The buyer must also start interest and capital repayments of a FFr900m long-term state loan from 1992.

The negotiations come at an interesting moment for the European paper industry generally. Pulp prices have fallen sharply as new capacity comes on stream, for example in lower-cost producing areas such as Latin America. As a result, Nordic pulp companies are especially eager to expand their activities both downstream, in papermaking, and geographically, near their main markets in mainland Europe.

France's cheap nuclear generated electricity makes it a good base for this energy-intensive business especially for Swedish companies whose Government is continuing to question its own nuclear power programme.

For foreign pulp and paper businesses generally, France is well placed to supply fast-growing markets for printing papers in Benelux, Spain, Portugal and Italy. The demand for printing papers, likely to be triggered by the political changes in eastern Europe, make specialists in these products, like Chapelle Darblay, even more attractive to Nordic pulp makers, whose soft-wood forests provide the right kind of pulp for printing paper.

This comes after a five-year period in which Nordic, US and German companies have picked off most of the other big names in French paper, including Papeterie Kaysersberg, Stracel, Peaudouce, Papeterie Béghin-Corbehem and Aussedat Rey.

**Ownership of France's most politically controversial paper group was regarded as sacred by the country's former Socialist Government. But now talks are proceeding with several bidders**

Some foreign producers are meanwhile choosing to build plants in France. Stracel, now a subsidiary of Finland's United Paper Mills, plans to start up a 240,000 tonnes a year newsprint mill near Strasbourg next year. At nearby Golbey, a plant of similar newsprint capacity should be established a year later by NSI of Norway.

Together, these plants will overshadow Chapelle Darblay's 350,000 tonne annual newsprint output and increase competition for the few domestically-owned companies left.

"France is becoming a paper-consuming country without its own paper industry," says Mr André-Joël Motte, head of the industrial department of Paribas, a former shareholder in Chapelle Darblay.

As it is, French-based production has for long been unable to supply the country's own needs. Paper consumption of all kinds grew last year by nearly 5 per cent to 8.3m tonnes, of which 44 per cent was exported, according to Copacel, the paper and pulp federation.

If the acquisition of Chapelle Darblay comes off, all that will be left will be Cellulose du Pin, the FFr10bn turnover paper subsidiary of St Gobain; Rochette, with its FFr5bn of sales; and the FFr8bn turnover Arjomari-Prioux.

How Chapelle Darblay came to be for sale at all is the result of a decade-long political and corporate saga which resembles a Gallic Dallas. Two years after the formerly family-owned group filed for protection from its creditors in 1981, a Canadian entrepreneur, Mr John Kila, mounted a FFr2.3bn rescue plan, matched by a FFr2.3bn package of cheap loans and grants from the Government, which took ownership of a third of the company.

Apart from the perceived need to keep some French involvement in newsprint production, one of Chapelle Darblay's two plants near Rouen happens to be in the constituency of Mr Laurent Fabius, then industry minister in the last Socialist Government and now speaker of the National Assembly.

Mr Kila left after a row with Mr Alain Madelin, successor to Mr Fabius in the subsequent right-wing Government. Mr Madelin had refused to put up more cash for Chapelle Darblay. It was then, in late 1987, that Mr Pinault took over, in a short-lived and stormy partnership with Cascades, the Canadian papermaker.

Mr Pinault, who owns France's biggest timber merchant among the other businesses in the FFr10bn turnover group that bears his name, saw a chance to get his hands on a classic turnround opportunity.

Cascades was quickly infuriated by what it saw as the French Government's ambiguity over Chapelle Darblay and by personal rows with the unbending Mr Pinault.

By the summer of 1988, the Breton had bought out the remaining stakes in the paper company held by Cascades, the state and the banks, and subscribed to a capital increase. In the same year Chapelle Darblay broke even, and continued the improvement with a FFr110m net profit in 1989.

Mr Pinault fears the two-year turnround could be all too fragile without massive new investment. He maintains that Chapelle Darblay needs a parent even richer than himself, to fund the FFr5bn he estimates is needed to renew its machinery alone over the next 10 years. "It clearly needs the help and partnership of a larger company," says a Pinault spokesman.

# INTERNATIONAL COMPANIES AND FINANCE

# Nova Corp acts to deflate ballooning debt

## Bernard Simon on a Canadian group's decision to sell its lucrative rubber division

Nova Corporation's decision to consider bids for its rubber business will be remembered either as a foolish sacrifice of one of the North American chemical industry's most prized assets or as a debt-burdened company's prudent response to an irresistible offer.

However the history books interpret Nova's move, there is no doubt the Calgary-based petrochemical, pipeline and energy group will welcome the C$800m to C$1bn (US$683m to US$854m) expected from the sale.

With rising interest expenses, the prospect of weak markets for some key products, a question mark over its dividend and a disappointing share price performance, Nova needs to make a significant dent in its uncomfortably large borrowings.

The company said last week it had asked Morgan Stanley, the US investment bank, to examine offers for the rubber division, which is among the world's three leading producers of synthetic rubber and one of only two North American makers of butyl rubber, used in vehicle tyres.

Nova insists no final decisions have been made on the fate of the business, which had revenues of C$812m and operating income of C$61m last year from plants in Ontario, Texas, France and Belgium.

It values the rubber division at more than C$1.4bn, well above even the most optimistic estimates of likely offers. One possibility is a partial sale, with Nova retaining some ownership.

The future of the rubber division may be influenced by Nova's other efforts to reduce its debt, which ballooned from C$2.4bn at the end of 1987 to C$3.7bn last year – equal to 160 per cent of equity. Its interest costs have almost doubled in that period, to C$470m last year.

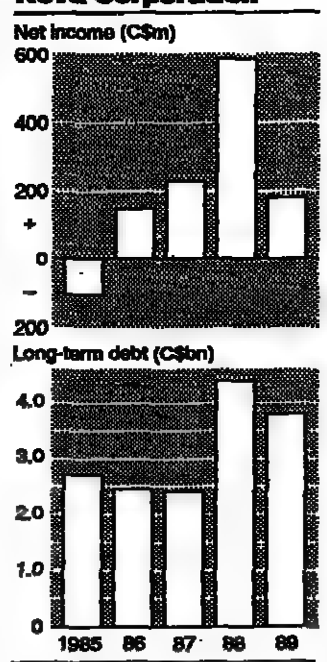
The extra borrowings were taken on to finance Nova's hotly-fought acquisition in 1988 of Polysar Chemical and Energy, the Ontario-based chemicals producers whose assets included what is now Nova's rubber division. Almost three-quarters of the C$1.4bn purchase price was financed by debt.

The squeeze on Nova was tightened by a slide in petrochemical prices shortly after completion of the takeover. Nova's bottom line spun around from net income of C$129m in the first quarter of last year to a C$26m loss in the final three months.

The company continues to have a substantial capital investment commitment, mainly in the form of a C$500m a year expansion of its Alberta pipeline system.

Outsiders differ in their views of the seriousness of Nova's problems. Mr Winfried Fruehauf, a consultant to Toronto securities firm Loewen Ondaatje McCutcheon, says: "There is a perception that Nova is desperate, but it is not. Nova has no need to engage in a fire sale [of assets]." He is confident that last year's dividend of 50 cents a share will remain intact.

**Nova Corporation**




But Mr Tor Williams, an analyst at BBN James Capel in Toronto, thinks a dividend cut is likely later this year as earnings drop to about 45 cents a share, including proceeds from some asset sales.

He says: "Over the medium-to long-term, it will face problems from falling petrochemical and resin prices and higher feedstock costs."

Mr Bob Blair, Nova's chairman, who has been at the helm for 20 years, insists: "We're meeting all our obligations very comfortably and will continue to do so."

But he adds: "The whole business of petrochemicals and plastics has entered a period of volatility. We feel it would be prudent to move in 1990 to reduce debt to be ready for trends which may occur in 1991 and 1992."

Nova, formed as a gas transmission company by the Alberta government in the mid-1950s, put a diverse parcel of assets on the block last year, including an oil and gas producer, an Italian valve maker and a heavy truck manufacturer. In the hope of realising about C$500m for these businesses, Nova has allowed its end-1989 target for the sales to slip.

It is also taking a close look at its 43 per cent investment in Husky Oil, a Calgary-based oil, gas and sulphur producer. Husky's assets include a chain of retail outlets in western Canada and a high exposure to heavy oil, including a big government-subsidised project on the Alberta-Saskatchewan border to upgrade the tar-like substance.

Husky's controlling shareholder is the Hong Kong magnate Mr Li Ka-shing. Mr Blair says there are "a lot of alternatives" for Husky which will be discussed with Mr Li. Among the obvious ones are a sale of Nova's interest (which it values at just over C$600m) or a move to take Husky public.

The fact that Nova's sizeable stake is a minority one may complicate the search for a buyer. One concern in the investment community is that the fate of Husky and the rubber division will be determined more by Nova's eagerness to give a quick boost to its share price than by the need for a well-balanced and competitive business.

The share price, at just over C$7 on the Toronto stock exchange, is barely half its level a year ago.

Mr Blair makes no bones about his disappointment with the price. He insists, however, that the share price was far from the company's thoughts in deciding to put the rubber business on the block.

"The criticism of my management bias has always been the opposite – that I'm building long-term values for the future," Mr Blair says.

One way to keep investors and management happy may be for Nova to split itself in two, with the cash-rich pipeline operations being hived off into a separate, public company.

The pipeline system, which contributed 13 per cent of Nova's 1989 revenues but more than a third of operating income, collects almost all the gas delivered to Alberta border points for transmission to other parts of the continent.

Mr Blair says "some tentative planning" is taking place to spin off the pipeline business. But for the time being, his mind is clearly on more pressing issues.

# UAL silent over Condor offer

**By Anatole Kaletsky in New York**

DIRECTORS of UAL, the Chicago-based parent company of United Airlines, met for five hours on Wednesday night in Chicago but issued no response to the $3.5bn employee-backed takeover bid announced two weeks ago by Condor Partners, the company's largest shareholder.

The board said last week it would be willing to consider a bid from Condor, but indicated that the value of the current offer was too low and the financing too uncertain to begin serious negotiations.

On Wednesday night UAL's investment bankers presented the board with an assessment of possible alternatives for enhancing the company's value to shareholders. But arbitrageurs were disappointed that no proposals for a restructuring were announced and UAL's shares declined $1⅝ to $159⅛ yesterday.

This price was well below the indicated value of Condor's offer, suggesting widespread scepticism about the board's ability to come up with a higher value through a restructuring or rival bid.

Condor has offered UAL shareholders $150 a share in cash plus $25 in debentures. Each shareholder would also receive non-voting equity equivalent to 25 per cent of the restructured company's equity. These shares would be worth about another $10, according to analysts who back the Condor proposal.

After the debacle last October, when UAL's management failed to finance a $300 a share leveraged buy-out proposal, arbitrageurs were sceptical about any rival bidders coming forward with an offer significantly better than Condor's.

Some analysts also argued that any restructuring organised without unions' backing might prove even harder to finance than the Condor offer.

# American General seeks court bar in proxy fight

**By Roderick Oram in New York**

AMERICAN GENERAL, the fourth largest shareholder-owned insurer in the US, is trying to block in the courts a proxy fight launched by Torchmark, a competing insurer which is making a $6.4bn bid for it.

Torchmark is seeking to nominate candidates for the six seats on American General's 15-member board due to be elected at the annual meeting on May 2.

American General said the soliciting of proxies would violate American General's by-law for nominating directors.

Mr Harold Hook, American General's chairman, said: "This by-law is designed to prevent undue pressure tactics by providing the company and the shareholders with advance notice of potential proxy contests."

When it launched its bid on Wednesday, Torchmark said it was prepared to negotiate all aspects of the offer, including making it all cash. The offer is $50 a share cash for 50 per cent of American General's stock and Torchmark common shares worth $50 for each of the remaining shares.

# Strong final quarter for US Shoe

**By Karen Zagor in New York**

US SHOE, the specialty clothing, footwear and eyewear group, yesterday reported sharply higher fourth-quarter income although earnings for the year were lower than expected, following a downward adjustment to the results for the first nine months.

Net income for the three months ended February 3 jumped 29 per cent to $23.2m or 52 cents a share from $18m or 40 cents a year earlier. The results include an extraordinary gain of 2 cents a share in the 1989 fourth quarter and a one-time charge of 19 cents a share in 1988.

However, operating income slipped 7 per cent in the latest quarter from $51.3m the year before. This was attributed to an unexpected downturn in two of its shoe divisions.

Revenues in the 1989 quarter grew 11 per cent to $758.3m from $683.9m previously.

US Shoe said it had fired the chief financial officer of its Marx & Newman division after accounting irregularities. An internal investigation is continuing.

The company restated its results for the first nine months ended October 28 to bring in a charge of $7.4m or 16 cents, reflecting accounting adjustments at Marx & Newman.

For the 53 weeks of 1989 US Shoe had net income of $49.2m or $1.10, against $13m or 29 cents for the 52 weeks of 1988. The 1988 results include one-time charges of 26 cents a share. Revenues advanced to $1.23bn from $1.14bn.

# IBM Japan up 20% at Y102bn

NET INCOME of IBM Japan, the Japanese subsidiary of the US computer group, jumped 19.7 per cent last year to Y102bn ($643m) on sales up 10.5 per cent to Y1,312.6bn, Ian Rodger writes from Tokyo.

This sharply improved performance in the country where some of IBM's most formidable competitors are based will be widely welcomed within the group.

Operating profits rose only 1 per cent to Y207.9bn and pre-tax profit dropped 4 per cent to Y194.9bn because of higher depreciation costs arising from the company's ambitious investment programme and from higher interest payments.

## INTERNATIONAL COMPANIES AND FINANCE

# Guardian Royal Exchange hit by Irish motor claims

By Andrew Hill

THE HIGH level of Irish motor insurance claims again cut into profits at Guardian Royal Exchange, the UK-based composite insurer, during the second half of 1989, reducing full-year profits from £239m ($387m) to £148m before tax.

GRE first heralded the slump in September, when it revealed interim underwriting losses of £22.5m in the Irish Republic, but by the end of December its Irish losses had risen to £56.9m, compared with £6.6m in 1988.

The overall profit was in line with most UK stock market forecasts, and GRE's shares were unchanged at 226p, but some analysts criticised the group's rapid expansion in Ireland. Following last year's purchase of PMPA, primarily a motor insurer, the UK group's share of the Irish motor insurance market rose to about 40 per cent.

GRE said personal injury claims had escalated, legal costs and court awards had increased and GRE had been forced to strengthen its liability reserves by more than £20m during the year. It had also increased premiums by 25 per cent since last summer to recoup some of its losses and limit further damange.

Mr Peter Dugdale, GRE's chief executive, said yesterday: "We don't regret having set ourselves the objective of growth in Ireland, but obviously if you are expanding quickly, you will have strains."

GRE's large UK operation – which excludes the Irish business – incurred an underwriting loss of £25.8m against a profit of £27.7m the previous year. The group said it had needed to shore up its liability reserves in the UK to cope with larger court awards. It also blamed a run of household subsidence claims after the hot summer and several large commercial fire claims.

Mr Dugdale estimated that claims to GRE following this winter's storms in the UK might top £25m, after reinsurance, and exceed the net cost of the October 1987 storm.

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# Royal Trust's S&L 'to prosper'

By Bernard Simon in Toronto

ROYAL TRUST, the Canadian financial services group, expects its new Seattle-based savings and loan subsidiary to benefit handsomely from the woes of other members of the US thrift industry in the form of new deposits and widening interest rate spreads.

Mr Michael Cornelissen, RT's chief executive, set a target at the annual meeting yesterday for Pacific First Financial, the biggest savings & loan (S&L) institution in the north-west US and one which is profitable, to eventually contribute 25 per cent of RT's earnings, which totalled C$265m (US$225m) last year.

Mr Cornelissen maintained that "as companies fail and the industry consolidates, there will be less competition for deposits. RT will benefit from the double whammy of higher business volumes flowing in at improved spreads."

Pacific First's growth is also expected to come from higher fee income, and the introduction of new products, some imported from RT's extensive Canadian retail operations.

RT has injected US$110m into Pacific First, lifting the S&L's capital by almost 50 per cent. The Seattle company had assets of US$6.3bn last year and operates 113 branches.

In addition, Pacific First is taking a hand in reviving a sickly California S&L, Pacific First Bank, which RT bought from the US Government last October. RT aims to build a "super-regional" thrift based on the prosperous parts of the western US.

Meanwhile, Mr Hartland MacDougall, RT's chairman, made one of the most outspoken appeals by a Canadian businessman for the resolution of the country's present constitutional impasse.

Contradicting recent reports that the economic impact would be minimal if Quebec separated from Canada, Mr MacDougall said that "it would be a disaster if the rest of the country did not have the foresight and wisdom to embrace Quebec as a full partner within our constitution."



# Belgium's two big insurers improve

By Tim Dickson in Brussels

BELGIUM'S two big insurance companies – Groupe AG and Royale Belge – have announced consolidated profit increases for 1989 of 20.7 per cent and 1.6 per cent respectively.

AG, reporting consolidated net profit of BFr6.3bn ($178m), explained yesterday that its 9 per cent rise in premium income to BFr47.7bn last year included a first-time contribution of BFr1.4bn from the French company Euroalliance, which it acquired at the end of last year.

AG added that all its activities on the Belgian market had grown except the group life field, which had enjoyed high single premium business in 1988.

Group assets generated a net financial income of BFr23.3bn last year, up 10.7 per cent, and net capital gains amounted to BFr4.9bn against BFr4bn in the previous year.

On a more technical level, the company said its loss ratio had "evolved favourably in 1989, except in the workmen's compensation line, where privatisation of a part of the Workmen's Compensation Fund has been carried through at largely insufficient tariff rates."

Royale Belge, whose main shareholders are UAP of France and Groupe Bruxelles Lambert (GBL), announced that after transferring BFr4.9bn to reserves the parent company profit rose 18 per cent to BFr3.3bn.

Consolidated profits were up by 1.6 per cent to BFr3.5bn and turnover increased by 7.4 per cent to BFr71.5bn, of which BFr45bn was premium income (8 per cent better than the previous period).

The group's share in consolidated own funds rose to BFr47.4bn, and the capital gain on quoted shares and property is estimated at BFr35bn.

● Groupe Bruxelles Lambert, the Belgian holding company, confirmed it would propose a dividend of BFr182 a share on 1989 profits, up from BFr173.3 a share a year earlier.

# British Telecom's revamped vision

## Charles Leadbeater reports on the UK company's reorganisation

In the mid-1980s British Telecom, the UK telecommunications company, had a vision. As information technology and telecommunications converged, it planned to become a world force, providing private exchanges linking sophisticated computers to a relatively simple fibre-optic network. Its purchase in 1986 of Mitel, the Canadian exchange manufacturer, was presented as the first step in the strategy.

Last month BT put Mitel up for sale, an admission that the strategy was mistaken.

Undaunted, Mr Iain Vallance, the company's executive chairman, yesterday unveiled another vision. In the next year BT will be reorganised to become a customer-driven, international manager of telecommunications networks, he said. The model for that strategy is the company's purchase last year of Tymnet in the US, which links companies' private networks to the public telephone infrastructure.

Will this second vision fare any better than the first?

The reorganisation to achieve it is far-reaching. BT's three main divisions – UK communications, BT International, and the Communication Systems Division – will be disbanded. The 27 local districts will be consolidated and stripped of their power. These divisions and districts used to attempt to do everything, from maintaining the network to selling, marketing and billing.

In their place will come three market divisions. Two of them, business communications and personal communications, will deal with customers; the special businesses division will mop up a rag bag of other activities.

The business and personal communications divisions will be enormous front offices dealing with customers. They will be supported by specialised divisions dealing with world-wide network management; products and services; and development and procurement.

The reorganisation is meant to prepare BT to meet three pressures.

● Around the world, says Mr Vallance, the industry's structure – national monopoly operators supplied by national manufacturers – is breaking down. Regulatory barriers to international competition will crumble, gradually in some countries, faster in the UK.

● As companies internationalise, they want to deal with a single telecommunications company wherever they are in the world. Telecommunications companies will have to tailor their products less to neatly defined geographic markets and more to groups of consumers, for instance supplying telecommunications services for multinational chemical companies whatever their country of origin.

● More intense international competition and the growing costs of staying in the technology race will lead to concentration. By the end of the decade, says Mr Vallance, there may be two US telecommunications groups operating internationally, two in the Pacific Rim and perhaps two in Europe.

Even if the analysis is correct, several clouds threaten Mr Vallance's vision of the future.

For BT, this is merely the latest of a string of reorganisations since privatisation in 1984. It is an admission that past plans have been ill conceived or implemented poorly. In particular, past attempts to decentralise power to the 27 district managers – with the aim of creating a less bureaucratic, more agile business – have blocked change rather than clearing the way for it.

Mr Vallance argues that the latest reshape will stick as it is tied to market and technological developments which are easier to predict than they were in the mid-1980s.

It is open to question, however, whether the reorganisation will lead to the tighter management Mr Vallance says is needed. In this regard, the most important development in the short run may be the departure of Mr Graeme Odgers as managing director. Mr Simon Petch, general secretary of STE, the BT managers' union, said: "Odgers has been consistently the most competent manager on BT's board." Some analysts were dismayed that he is leaving.

Mr Odgers was brought in from Tarmac, the construction company, to tighten financial controls and toughen management. His departure was unanimously agreed by the board last week, with some at BT suggesting that Mr Odgers' actions had failed to match his cost-cutting rhetoric.

Either way it is not good news for BT. If Mr Odgers was effective he will be missed. If he was not, it is an admission that management is still in need of strengthening.

Much will now turn on the performance of Mr Vallance and Mr Barry Romeril, the finance director recruited from BTR, who will take on an expanded role. They will be aided by outside appointees such as Mr Bruce Bond, recruited from US West, the US regional operator, to oversee quality, and Mr John Steele from IBM who will become group personnel director.

Staff reductions will probably accelerate. The 12 management layers will be reduced, producing between 2,000 and 4,000 job savings among the 25,000 managers.

BT is overstaffed compared with US operators and the Bundespost, says Mr Stephen Owen, telecommunications analyst at James Capel, the broker. The number of employees rose from 234,397 in March 1987 to 244,416 in March 1989 as it attempted to improve quality in the face of rising public complaints.

Some analysts believe BT could reduce its number by 10,000 a year. Staff reductions accelerated in the third quarter of 1989 to an annual rate of 5,600.

The restructuring should help to internationalise BT's operations by ending the dominance of UK communications within the company. It has begun to develop international services through Tymnet and agreements with American Telephone & Telegraph in the United States and KDD, the Japanese international carrier, to provide multinational companies with a simpler service.

BT is opening more offices abroad and attempting to promote its brand name internationally, and Mr Vallance says more acquisitions and partnerships are almost certain. It wants to be able to offer multinationals complete service throughout the world by managing both their internal networks and their linkages with the public system.

BT's future depends as much on Mr Vallance's skill in running his reorganised company as on the vision around which he has fashioned it. Mr Vallance says of his plans: "I am not playing to the gallery, I am playing to win."

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# Maxwell's French news agency goes into liquidation

LOSS-MAKING Agence Centrale de Presse (ACP), France's second largest news agency, was yesterday put into liquidation by the Paris Commercial Tribunal, writes William Dawkins.

The court declared that the agency, which was closed last autumn by Mr Robert Maxwell, its biggest shareholder, could no longer function, with its FFr105m ($18m) of liabilities outweighing by a long way its FFr20m assets.

ACP, which employs 110 people, has been given three months to repay what it can to its creditors. It has been controlled by a court administrator since November.

ACP, founded in 1951 by Mr Gaston Deferre, former Socialist Interior Minister and Mayor of Marseille, has lost FFr83.3m over the past three years.

It always ranked far behind Agence France Presse (AFP), the main news agency, but has had the Government's unofficial support as a competitor.

Two possible rescue bids – by Mr René Tendron, head of the news agency Telpresse, and Mr Charles-Emile Loo, a local Marseille politician – had failed to materialise by the deadlines set by the court. Its original shareholders, France's regional newspapers, were unwilling to bail it out.

Mr Tendron said that, despite the court's decision, he was still ready to revive part of ACP's activities in the interest of preserving the "pluralism of sources of information."

# INTERNATIONAL COMPANIES AND FINANCE

## Metallgesellschaft's car parts offshoot expands in Canada

**By Katharine Campbell** in Frankfurt

KOLBENSCHMIDT, the car parts *subsidiary of* West Germany's Metallgesellschaft, is expanding its presence in North America via a 40 per cent stake in Centoco Manufacturing of Canada.

Although Kolbenschmidt gave no details of the deal's value, it said it had contracted to increase the stake to a majority holding at an unspecified later date.

Centoco makes steering *wheels and the coverings for* air bags, an alternative to seat belts. It has an annual turnover of about C$20m (US$17m).

Kolbenschmidt is interested in the division's access to the enormous American car market, *where new passenger* safety gadgets are doing well.

The West German concern is setting up another American subsidiary in York, Pennsylvania, to manufacture a type of bearing known as Permaglide. It will begin production at the beginning of 1991.

Kolbenschmidt also said yesterday that group turnover for the first six months of the year to March 31 1990 rose 10 per cent to DM722m ($424m).

*Difficult conditions in Brazil,* where its chief customer has halted production, together with a weaker market in the US, meant that overseas contributions to profits were slightly lower than in the first half of *1988/89.*

## BCE prices its preferred stock issue at C$41.75

**By Robert Gibbens** in Montreal

BCE, *the holding company that* owns 100 per cent of Bell Canada, the telecommunications giant, has priced its new 10m share preferred stock issue with warrants at C$41.75 (US$35.5) per unit.

*The shares will carry* a 65 cent a share quarterly dividend, about the same as BCE's common stock.

Each unit comprises 1 Series O preferred share redeemable at the holder's preferred option for $41.75 plus accrued dividends on April 27, 1995. BCE retains the right to redeem the stock after that date. The warrants entitle the holder to buy 1 BCE common share at $45.75 until April 28, 1995.

Lead underwriters for the issue are Wood Gundy, and RBC Dominion Securities. BCE will use the proceeds to reduce short term debt.

● Toronto Dominion Bank has become the first Canadian bank to market car insurance through branches, jumping the gun on *coming* federal financial services legislation.

The programme is being studied in its Quebec branches because the regulatory climate there is more liberal. It hopes to extend the programme to its network across Canada as regulation permits.

Ottawa has promised that its long-delayed financial service legislation will allow banks to own insurers and market their products as long as the selling is not done by bank branch staff.

## Merged Danish bank ready to expand

**By Hilary Barnes**
in Copenhagen

THE THREE banks forming Denmark's new Unidanmark banking group will be able to expand business rapidly without having recourse to shareholders for new funds for several years, Mr Steen Rasborg, group chief executive, told an investor presentation in Copenhagen.

Unidanmark is the holding company for a merger between *Privatbanken, SDS,* and Andelsbanken. Group assets are DKr295bn (US$45.2bn) and equity capital and reserves are DKr19bn. The merger has been approved by the shareholders in the three banks.

*The group's equity ratio at* the outset is 9.6 per cent compared with a legal minimum ratio of 8 per cent. This alone provides the basis for a 20 per cent expansion in business, said Mr Rasborg.

As the *Danish* capitalisation rules will be relaxed when a common EC standard comes into force in 1993, there will be scope for a further expansion of business by about 20 per cent. In addition, retained profits will add to the capital base.

Unidanmark is a holding company owning the new *bank, which will be known as* Unibank. Mr Rasborg predicted that the organisation structure adopted by the group would be copied by many other banks.

The holding company will exercise group treasury and financial *control* functions, including the overall management of liabilities and assets.

The Unibank consists of four independent divisions: domestic banking, merchant banking, trading (securities trading and currency dealing included), and the international division. Bank-related business, such as *factoring and leasing,* will be undertaken by subsidiaries.

Mr Rasborg said that the merger was well on the way to realisation. Management appointments had been made and the organisational changes should be in place by the end of the year.

The bank expects to be able to reduce its 13,600 staff by about 3 per cent a year over a period of years, mainly through natural attrition.

The branch network inherited by the bank will be chopped back from about 700 to *about* 500. In *addition to its* Danish banks, Unibank has 26 outlets in 21 countries, including subsidiaries in London, New York and Luxembourg. Some DKr500m has been allocated on the opening balance *sheet to cover the costs of the* merger.

### Correction

**BASF dividend**

BASF's 1988 dividend was DM12 a share, not DM10 as implied in yesterday's story on the 1989 results.

## Ciments Français seeks control of Halyps of Greece

*CIMENTS FRANCAIS,* the French cement group, indicated yesterday that it is in advanced *discussions* to acquire a controlling stake in Halyps Cement of Greece, continuing its recent acquisition drive in the Mediterranean basin, AP-DJ reports.

The French company said talks on acquiring a "significant majority interest" in Halyps were likely to be concluded in the next few weeks. It said it was too early to disclose a price.

*Ciments Français* said it was also studying prospects for acquiring another Greek cement producer, Halkis, through a co-operative agreement with the Greek cement group Titan. It said these discussions could take a year or more to conclude.

Halyps is Greece's fourth largest cement producer, with annual production of about *800,000* metric tonnes. The group generates annual revenue equivalent to about FFr70m (US$12.1m) and its results are near the break-even point, Ciments Français said. The French company expects to undertake restructuring at Halyps if it gets control.

Halkis ranks third among Greek cement producers, producing about 3m tonnes a year and generating revenue equivalent to *FFr245m.*

Ciments Français' interest in the Greek market fits into its stated goal of boosting its presence around the Mediterranean.

*This* drive saw the company expand its presence in *Turkey* in February through two acquisitions and a new joint venture. The Turkish moves came close on the heels of its successful bid for majority control of the Spanish group Financiera & Minera.

## Volatile oil prices force Saipem into heavy loss

**By Haig Simonian** in Milan

SAIPEM, the oil industry services unit of Ente Nazionale Idrocarburi (ENI), Italy's state *energy concern, swung* heavily into loss last year as a result of volatile crude oil prices which dampened capital investment in the industry.

As a result, the group made a loss of L87.5bn (US$69m) last year gainst modest profits of L8.3bn in 1988, when its performance was also overshadowed by difficult conditions.

Sales fell sharply to L1,035 from L1,412bn in 1988, with about 80 per cent of turnover coming from abroad, said Mr Gianni Dell'Orto, chairman.

The company remained confident about the future. Financial reserves amounted to L68bn even after covering last year's loss, it said. Meanwhile new orders had risen to some L1,000bn last year against *L620bn in 1988,* while the group had acquired L350bn in new business in the first quarter of the current year compared with L133bn in the equivalent period of 1989.

## Philipp Holzmann sees big rise in its business volume

PHILIPP HOLZMANN, the West German construction company, said yesterday its 1989 group business volume jumped 33.5 per cent from a year earlier, helped by a global construction boom and several acquisitions, AP-DJ reports.

Operating earnings also climbed from a year earlier, but the company did not give any figures. In 1988, Holzmann had an operating profit of *DM95.1m (US$55.5m) and net* income of DM30.4m.

Business volume, which includes projects that have not yet been billed, rose to DM7.75bn from DM5.81bn in 1988, Holzmann said. Group order *inflow* surged 47.1 per cent to DM10bn from DM6.8bn a year earlier.

More than half of the increase stemmed from acquisitions during the year, including the purchase of the Steinmüller, Lömpel, and Skipiol construction companies, Holzmann said. Excluding the new *subsidiaries, business volume* rose 12 per cent and order inflow was up 6 per cent from a year earlier.

The strongest volume growth *last year* came from foreign business outside the US, where revenue surged 63 per cent to DM823m from DM505m. Domestic business climbed 46 per cent to DM3.93bn from DM2.69bn, while US business advanced only 7.7 per cent to DM1.599bn from 1.485bn.

*The order backlog at the end* of 1989 stood at DM7.633bn, up 37 per cent from DM5.564bn a year earlier. The new acquisitions had added DM1.7bn in orders at hand to the group, Holzmann said.

Capital spending climbed to DM193m in 1989 from DM143m, while outlays for financial investments surged to DM364m from DM50m.

At the start of 1990, Holzmann made further acquisitions, including the purchase of all the shares of West Berlin-based Kemmer/Holzbauer *and 40* per cent of Nord-France.

# Nikko Co sues predator with insider trading

By Robert Thomson in Tokyo

NIKKO CO, a plant manufacturer for the asphalt industry, has suddenly taken the centre of the corporate stage in Japan by attempting to get rid of an unwelcome suitor through launching an insider trading action against the company.

The case, unveiled yesterday, is the first of its kind. It follows Nikko's unsuccessful attempt to ward off the predator, called Sanwa Enterprise, by making a share allocation at a discount to friendly and influential third parties, including Sumitomo Life Insurance and Nippon Life Insurance.

In this instance, Nikko is fighting a pair of experienced greenmailers – Sanwa Enterprise and Akebono Kikaku, which have amassed stakes of about 15.7 per cent and 8.2 per cent respectively.

Together or alone, they have recently bought significant holdings in two regional banks, an electronics company, a building materials maker, and a pharmaceutical manufacturer, among others.

Nikko, with annual sales of some Y30bn ($189m), is unrelated to Nikko Securities, the broking house. Similarly, Sanwa has no connection with banks or big industrial companies of the same name.

Mr Stephen Church, head of research at UBS Phillips & Drew, said the case was significant because "greenmail plays a very important role in the illiquid Tokyo market."

He suggested that some government officials "think it is in the greater public interest to have greenmailers" who were "the only people able to do the heavy work in building stakes for large transfers."

The case is also relevant to the attempts by Mr T. Boone Pickens, the US investor, to get board representation at Koito Manufacturing, the automotive lighting maker with ties to Toyota, although Mr Pickens insists that he has nothing to do with greenmail.

Mr Pickens, who owns 26.4 per cent of Koito, argues that he is what Japanese law calls a "major shareholder," having passed a 10 per cent threshold, and is therefore entitled to access to detailed financial records – which he has been refused.

Meanwhile, Nikko is demanding Y55m in compensation from Sanwa Enterprise on the alleged grounds that, as a major shareholder with access to detailed information, it unlawfully earned profits from buying and selling the company's stock within a six-month period under Section 189 of the Securities and Exchange Law.

This section, which also allows companies to demand a return of share trading profits from high-ranking staff members, has not previously been invoked.

Analysts suggest that the case could open the way for similar actions by some of an estimated 150 listed companies faced with threats of buy-outs.

The case, filed in the Kobe District Court, apparently comes at a difficult time for Japan's greenmailers, who are reported to have been told by one of the country's trust banks, previously a significant source of funds, that it is now less willing to lend for greenmail activities. After reports of the funds shortage circulated last week, prices of shares in several buy-out targets fell sharply.

Nikko and Koito also face similar problems of declining numbers of shareholders. Under Japan's company law, Nikko must have at least 2,200 shareholders with 1,000 or more shares, but the unwelcome share purchases have left it 280 short, and if the numbers are not made up by November, the end of its financial year, the company will not be eligible to be listed on the Tokyo Stock Exchange's first section.

Koito was 800 short of its needed 3,400 shareholders early this month, and a legal aide to Mr Pickens said yesterday that he had curbed plans to increase his shareholding because he did not want the company to be relegated. The company has been broadening its shareholder base in the lead-up to the end of its financial year, which comes on Saturday.

A Nikko official said yesterday that the company has no idea what Sanwa Enterprise wants to do with its stake, and intends to pursue the court case to the end, adding: "This is not just a threat."

Mr Church said the Nikko case could be settled out of court and the company could buy back shares from Sanwa, or the shares could be sold to another company with a more abiding interest in the asphalt industry.

**BAN ON NTT FOREIGN HOLDINGS 'SHOULD BE LIFTED'**

A MINISTRY of Finance (MoF) official indicated yesterday that the ban on foreigners holding stock of Nippon Telegraph and Telephone (NTT) should be lifted, Kyodo reports from Tokyo.

He said such a move would expand the stock market and make stock market trading more efficient, having a favourable effect on the currently sluggish price of NTT stock. Mr Toshio Osu, chief of the MoF financial bureau, was replying to a question at the parliamentary House of Councillors finance committee.

Mr Ryutaro Hashimoto, Finance Minister, said that due consideration should be given to the security problem involved in allowing foreigners to hold NTT stock.

# Li Ka-shing flagships advance by a third

By John Elliott in Hong Kong

HUTCHISON Whampoa and Cheung Kong, the two main quoted companies in the business empire of Mr Li Ka-shing, a leading Hong Kong entrepreneur, yesterday both reported profits for the year to December nearly a third higher than the previous year.

Hutchison, which is 39.6 per cent owned by Cheung Kong, showed consolidated net profits of HK$3.03bn (US$388.5m), up 29.5 per cent. Turnover rose 37.4 per cent to HK$17.69bn.

Mr Simon Murray, managing director, said 1989 had been a year of "some resorting and restructuring." The company was "now well set for the 1990s on our five core businesses of property, container terminal operations, retail, energy and telecommunications."

Interests in quarrying and ready-mixed concrete have been been sold to Cheung Kong, and distribution and agency businesses to Inchcape.

The 66.5 per cent-owned Hongkong International Terminals consortium will be bidding this year for a third container terminal in the colony. Mr Murray said that Japanese and mainland Chinese participation in the consortium might be increased.

The container terminals and other parts of the group had been affected by last June's Tiananmen Square crisis in China, he said. The Watsons stores chain, which relied for 30 per cent of its business on tourists, had been hit, as had hotels, which were also affected by rising labour costs.

The group's expansion plans include the continued spread of its retailing interests to Taiwan, Thailand and Singapore and, possibly later, to Malaysia.

Cheung Kong, 34 per cent owned by Mr Li with interests in property, quarrying and cement, reported net profits of HK$2.78bn, up 32.4 per cent.

There was also extraordinary income of HK$1.24bn compared with HK$557m in 1988, arising mainly from disposal of container terminal interests to Hutchison. This brought profits attributable to shareholders up to HK$4.01bn from HK$2.86bn. Turnover was 128 per cent higher at HK$5.04bn.

Mr Li said the property market was entering a period of consolidation, with sales and rentals of offices and high class residential buildings slowing down.

Hutchison recommended a 38 cents final dividend, making 54 cents for the year, compared with 43 cents. Cheung Kong is to pay a final 28 cents making a total of 38 cents against 29 cents in 1988.

# Hong Kong concert party ordered to make offer

THE HONG KONG Committee on Takeovers and Mergers has ruled that several companies and individuals acted in concert to consolidate control of Paladin, an investment holding company, and ordered them to make a general offer, Reuter reports from Hong Kong.

Those named are New Zealand Equities (NZE), a Paladin subsidiary which is in receivership; Mr Peter Francis, chairman of Paladin and a former managing director of NZE; Mr Avon Carpenter, formerly chairman of NZ Equities and a director of Paladin; Mr Anthony van der Linden, former managing director of Paladin; and Mr Serge Pun, a Hong Kong property investor, and two companies associated with him – Sergen Developments and Serge Pun & Associates.

The offer of HK$1.10 (US 14 cents) per Paladin share will apply to owners of Paladin shares as of August 17 last year.

The committee launched the investigation after receiving complaints from a Taiwanese shareholder and its adviser.

It ruled that members of the concert party reached an understanding to ensure that Paladin shares, newly issued to Sergen, could be voted on at a special meeting of Paladin on August 24, called to approve a Paladin-NZE merger.

# Flat year for Swire Pacific

By John Elliott

SWIRE PACIFIC, the Hong Kong aviation, property and trading group controlled by the Swire family, yesterday declared net profits for last year of HK$3.08bn (US$395m).

They were only 2.7 per cent higher than the HK$3bn mark achieved in 1988.

Attributable profits dropped to HK$3.08bn from from HK$3.39bn because there were no extraordinary items to match the previous year's HK$385m credit. Turnover was up 10.2 per cent to HK$27.68bn.

The results were near the bottom end of market predictions, but Mr David Gledhill, the chairman, said they were "very much on target with what we had expected."

They had been caused by a transition in the company's property division from development, which produced quick profits from sales, to investment that would reap profits over a longer period from leases.

He said that the transition would be substantially completed this year but that the full benefits would not emerge until later.

He therefore predicted only "reasonable" prospects for the group in the current year.

On Tuesday Cathay Pacific Airways, 51.8 per cent owned by Swire, reported a 17.6 per cent increase in attributable profits.

Hongkong Aircraft Engineering, which is 56.1 per cent jointly owned by Swire and Cathay, reported an 18 per cent increase earlier this month.

Swire said that alongside these companies' good performances, there had been "satisfactory results" from shipping and dockyard activities, but offshore services had been disappointing.

Trading had been "moderately successful."

A final dividend of 57 cents is recommended on A shares, making a total of 80 cents for the year compared with 76 cents in 1988, and a final of 11.4 cents on B shares will make a 16 cents total compared with 15.2 cents.

# Anglovaal rights to raise R1.2bn

By Jim Jones in Johannesburg

ANGLOVAAL, the smallest of South Africa's five main mining houses, and Middle Witwatersrand, its investment arm, are to raise R1.2bn ($450m) through rights issues.

Anglovaal expects to raise between R800m and R900m while Middle Wits will raise the remainder. Terms are to be disclosed on April 5.

The directors say Anglovaal spent more than R1bn on acquisitions in 1989. Most were from divesting foreign companies such as Goodyear of the US and Ten Cate, the Dutch textiles producer. The group also made investments in local insurance and electronics companies and bought a controlling interest in North Sea & General, the UK-registered mining company.

The group needs additional capital to invest in new ventures, particularly a new gold mine being planned in the Orange Free State in which Middle Wits will participate.

The directors add that Anglovaal's final dividend will not be less than 60 cents a share this year against last year's final of 51 cents. The total will be at least 90 cents against 76 cents.

● Mr Nicholas Oppenheimer has been appointed chairman of Anglo American Gold Corporation (Amgold) to succeed Mr Julian Ogilvie Thompson who was recently appointed as chairman of Anglo American, the parent.

# INTERNATIONAL CAPITAL MARKETS

## US Treasuries retreat as the dollar loses ground

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURIES fell sharply yesterday morning, mostly in response to weakness in the dollar. However, this was also because of slightly stronger than expected figures for February personal income and spending.

At midsesssion, short-dated

### GOVERNMENT BONDS

maturities were quoted as much as ½ point lower while the long bond was quoted 12/32 point lower to yield 8.54 per cent.

The dollar dropped sharply against the Japanese yen from its highs on Wednesday before stabilising in New York.

At midsession, the US currency was quoted at Y156.60 from its earlier low of Y156.35. It was also weaker against the D-Mark at DM1.6965 from an earlier peak of DM1.7100.

The dollar appeared to be the major factor in the bond market's weakness yesterday.

There were also concerns that the dollar may soften further again. These came amid unconfirmed rumours that the Japanese Finance Ministry had instructed insurance companies to restrict their dollar investments.

A 0.9 per cent rise in personal income in February and a 0.4 per cent gain in consumer spending also contributed to price declines.

Estimates on Wall Street had been for gains of 0.8 per cent and 0.3 per cent respectively.

Another undermining element was the fact that, in spite of strong demand at this week's auctions of two-year and four-year bonds, there did not appear to be much follow-through interest in the secondary market.

■A SLIGHT squeeze on UK gilts yesterday eased prices up by around a half a point. However, a torpor continued to hang over the dull market.

Some cautious buyers were attracted to gilts as investors looked for a peak in yields.

But in the current thin markets, it takes only a small amount of domestic buying to push prices and investors remain uncommitted to the long end of the yield curve.

Although sterling slipped slightly yesterday – down to 87.3 on the Bank of England's trade-weighted index from a close on Wednesday of 87.3 – its recent strength has added a firmer undertone to gilts.

The political uncertainty caused by the UK Conservative government's current unpopularity, the pay claim activity and the run-up to local government elections in May will continue to dominate the gilts market for some time.

■GERMAN government bonds remain stuck in a narrow range in a market which is being dominated by technical traders.

The June bund futures contract drifted between 83.40 and 83.75 yesterday with traders reluctant to push the market over 84.

The statement by Mr Helmut Haussmann, West German economics minister, that East German wages will have to be converted to the D-Mark at a ratio of less than 1 to 1 in an attempt to avert unemployment, failed to do much to move the market.

■THE bond market in Japan tracked the oscillating yen yesterday as the Bank of Japan intervened to support the currency.

In London trading, the yield on the 119 bond reached a high of 7.23 per cent but dropped away as the yen recovered and bond prices rallied to a closing yield of 7.19 per cent.

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 10.000 | 4/93 | 91-27 | +06/32 | 13.35 | 13.57 | 12.53 |
| | | 10.500 | 5/99 | 89-11 | +12/32 | 12.47 | 12.62 | 11.53 |
| | | 9.000 | 10/08 | 81-13 | +10/32 | 11.43 | 11.53 | 10.59 |
| US TREASURY * | | 8.500 | 02/00 | 99-22 | -09/32 | 8.55 | 8.51 | 8.43 |
| | | 8.500 | 02/20 | 99-26 | -16/32 | 8.52 | 8.45 | 8.46 |
| JAPAN | No 119 | 4.800 | 6/99 | 85.7376 | +0.742 | 7.19 | 7.25 | 6.83 |
| | No 2 | 5.700 | 3/07 | 88.6747 | +0.540 | 7.18 | 7.09 | 6.56 |
| GERMANY | | 7.125 | 12/99 | 91.0500 | +0.550 | 8.50 | 8.56 | 8.60 |
| FRANCE | BTAN | 9.000 | 02/95 | 95.5271 | +0.574 | 10.19 | 10.43 | 10.50 |
| | OAT | 8.500 | 03/00 | 92.7600 | +0.450 | 9.66 | 9.73 | 10.00 |
| CANADA * | | 9.250 | 12/99 | 88.7000 | -1.150 | 11.19 | 10.80 | 10.52 |
| NETHERLANDS | | 7.750 | 01/00 | 93.5800 | +0.190 | 8.74 | 8.88 | 8.68 |
| AUSTRALIA | | 12.000 | 7/99 | 92.3559 | -0.395 | 13.45 | 13.42 | 13.40 |

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

*Technical Data/ATLAS Price Sources*

## London listing for Daiwa Securities

By Stefan Wagstyl in Tokyo

DAIWA Securities is to become the first Japanese securities company to be listed on the London Stock Exchange.

Daiwa's shares will simultaneously be listed in five other European centres – Paris, Amsterdam, Brussels, Frankfurt, Luxemburg, and Zurich.

The listings will all be carried out on Monday, as part of the company's programme to show its commitment to European markets and to raise its profile within the European financial community.

Mr Masahiro Dozen, Daiwa's president, said the group's decision was influenced by the forthcoming economic integration of the European Community in 1992. "Maybe we should have acted sooner. We are a very international company," said Mr Dozen.

Daiwa is also considering seeking a listing in New York and on stock exchanges in south-east Asia. Mr Dozen added that the group was planning to create separate holding companies for its operations in Europe, North America and south-east Asia. These might also one day be listed in the regions in which they operate.

Nomura Securities, the biggest Japanese stockbroking company, which is listed in Amsterdam and Luxemburg said it had no plans to list in London.

## Japanese insurer buys BSI stake

By William Dullforce in Geneva

TAIYO Mutual Life of Tokyo has bought a 4.5 per cent stake in Banca della Svizzera Italiana (BSI), Switzerland's sixth largest commercial bank with headquarters in Lugano. The stake carries 3 per cent of the voting rights.

BSI said it had arranged for Taiyo Mutual Life, ranked eighth by total assets among Japanese life insurance companies, to acquire on the market 20,400 BSI bearer shares and 15,400 B participation certificates. At current prices the Japanese insurer would have paid about SFr56m.

Taiyo Mutual Life is BSI's second Japanese stakeholder. Taiyo Kobe Bank, which is merging with Mitsui Bank to form the world's second largest bank in terms of assets, owns 11.2 per cent of the BSI equity and 2.7 per cent of the voting rights.

Since 1986 BSI has been controlled by Uni-Tower Holding, a partnership between Unigestion, the Geneva-based finance company, and Park Tower, a New York real estate company owned by Mr George Klein. Unigestion owns 51 per cent of Uni-Tower, which in turns holds 36.5 per cent of the BSI equity and 49.9 per cent of the voting rights.

By co-operating with Taiyo Mutual Life, BSI plans to strengthen its position on the Japanese market, where it is already actively underwriting Japanese bond issues.

At the end of 1989 BSI showed total assets of SFr9.12bn. It posted a 23.7 per cent increase in net earnings to SFr57.6m in 1989. Since coming under the control of Uni-Tower, BSI has considerably expanded its operations in New York, London and Tokyo.

## Yugoslavia opens second stock exchange

YUGOSLAVIA has opened its second stock exchange, in the northwestern city of Ljubljana, Reuter reports. Fourteen traders showed up yesterday to trade bonds issued by six companies.

According to Mr Boris Tomaz Snuderl, the exchange's vice-president, the volume of trade totalled about 2.45m dinar, compared to the total 500,000 dinar trade in treasury bonds at the Belgrade Capital Market since it opened in February.

The Ljubljana and Belgrade stock exchanges are the first to open in Yugoslavia since the Second World War as part of western-style reforms intended to rebuild the country's economy. A third exchange is expected to open this year in Zagreb.

The exchange in Ljubljana, capital of Yugoslavia's most westernised republic, Slovenia, was founded by 38 firms from across Yugoslavia. The exchange hopes to install an electronic screen soon. Trading will take place twice a week.

The bonds traded on Thursday mature in periods of two to six years and have an average annual interest rate of 12 per cent.

**FT INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market.

*Closing prices on March 29*

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 8½ 96 | 750 | †96⅛ | 96⅝ | -0⅛ | -0⅛ | 9.36 |
| Alberta 9⅛ 95 | 600 | 100 | 100⅜ | -0⅛ | +0⅛ | 9.32 |
| Austria 9⅛ 93 | 140 | 101 | 101⅛ | 0 | +0⅛ | 9.12 |
| B.F.C.E. 8⅛ 94 | 175 | *96⅛ | 97 | 0 | 0 | 9.26 |
| [illegible] | | | | | | |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6⅛ 91 | 80 | 98⅛ | 98⅞ | 0 | +0⅛ | 0.08 |
| Canada 5⅜ 93 | 80 | 95 | 95⅛ | +0⅛ | +0⅛ | 7.32 |
| Cr.Local France 6⅛ 94 | 300 | 94⅛ | 94⅞ | 0 | +0⅛ | 6.72 |
| Denmark 6⅛ 95 | 300 | 94⅛ | 95 | +0⅛ | +0⅛ | 6.71 |
| [illegible] | | | | | | |

| [illegible] STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| African Dev.Bk. 5 96 | 150 | †83½ | 84 | 0 | -0½ | 8.40 |
| Asfinag 5 03 | 100 | †80 | 81 | -0½ | -0½ | 7.33 |
| B.F.C.E. 4½ 98 | 200 | †83¾ | 84 | +0⅛ | +0⅞ | 7.14 |
| B.M.W. Fin.Neth. 5 13 | 150 | †73 | 75 | +0⅞ | +0⅞ | 7.38 |
| Britannia B/S. 4¾ 94 | 100 | †85¾ | 86 | 0 | +1⅛ | 8.45 |
| CIR. Int. W/W 3 93 | 125 | †84 | 84¼ | +0½ | +1 | 8.72 |
| Credit Lyonnais 4¾ 00 | 100 | †78 | 79 | -0¼ | -0¼ | 7.90 |
| E.I.B 4¾ 98 | 150 | †81¾ | 82¼ | +0⅛ | -1⅛ | 7.65 |
| Fins. Exp. Cd. 8⅛ 92 | 75 | †96 | 96½ | 0 | +0⅛ | 9.96 |
| Fletcher Chall. 4¾ 98 | 150 | †75 | 75¼ | 0 | 0 | 9.43 |
| I.A.D.B. 6 2004 | 200 | †86¾ | 87¼ | -0⅞ | -1½ | 7.50 |
| Kobe City 4¾ 98 | 150 | †82¾ | 83 | 0 | -0⅞ | 7.51 |
| Leeds Perm. B/S. 4¾ 93 | 200 | †88 | 89 | +0⅞ | +2⅛ | 8.57 |
| Malaysia 5⅛ 98 | 100 | †83 | 83¼ | 0 | +1 | 8.12 |
| Maxwell Comm.Grp. 5 95 | 150 | †82 | 82⅛ | 0 | 0 | 9.49 |
| Nat. Bk. Hungary 5¾ 94 | 75 | †84 | 85 | +0⅞ | +0⅞ | 9.73 |
| Nationwide Ang.B/S. 4 93 | 200 | †86¾ | 87 | -0⅛ | -0⅛ | 8.90 |
| Prov. Newfoundland 5 03 | 150 | †79⅛ | 79¾ | +0⅛ | +0⅛ | 7.41 |
| Thailand 4¾ 95 | 200 | †85 | 85⅛ | -0⅞ | -1⅞ | 8.19 |
| World Bank 5 03 | 150 | †80 | 80⅛ | 0 | -0⅛ | 7.38 |

Average price change... On day +0 on week +0

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| Fujitsu 3 99 US | 5/84 | 1106. | 198¾ | 199 | -3¾ | -3.45 |
| Ladbroke Grp. 5⅛ 04 £ | 6/89 | 3.55 | 97⅛ | 98⅛ | +0⅞ | 13.63 |
| Land Secs. 6¾ 02 £ | 6/87 | 6.72 | 79⅞ | 80⅞ | +0⅛ | 12.06 |
| Minolta Camera 2⅛ 94DM | 2/86 | 1004. | 95⅛ | 96⅛ | +1⅛ | 17.20 |
| MCA Inc 5½ 02 US | 9/87 | 69.62 | 90⅛ | 91⅛ | +0⅛ | 22.52 |
| Mitsubishi Bk. 3½ 04US | 5/89 | 3266. | 72⅛ | 73⅛ | -0⅛ | 14.50 |
| Next Plc 5⅛ 03 £ | 11/87 | 4.3 | 96⅛ | 97⅛ | +0⅛ | 347.92 |
| [illegible] | | | | | | -5.44 |
| [illegible] | 7/89 | 28. | 102⅛ | 103⅛ | +0⅛ | 21.90 |
| [illegible] 2⅛ 02 US | 4/87 | 1310. | 232 | 232½ | +3⅛ | 5.33 |
| [illegible] 4⅞ 03 £ | †1/88 | 3.5 | 111⅛ | 112⅛ | +0⅛ | -0.48 |
| [illegible] 7⅛ 02 £ | †1/87 | 5.4 | 104⅛ | 105½ | -0⅞ | 0.18 |
| Saatchi&Saatchi 6⅛ 03 £ | †10/89 | 4.41 | 67 | 70 | – | – |
| Sumitomo Bank 3⅛ 04 US | 2/89 | 3997. | 64⅝ | 65⅝ | -0⅛ | 13.71 |
| Texas Inst. 2⅞ 02 US | 9/87 | 82.87 | 75⅛ | 76⅛ | +0⅛ | 68.50 |
| Utd.N'papers 8 04 £ | 10/89 | 8.77 | 126⅞ | 127⅞ | +0⅛ | -221.40 |
| W.R. Grace 6⅛ 02 US | 9/87 | 42.12 | 88 | 89 | -0⅛ | 24.27 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Swedish Match leveraged debt syndication closed

By Norma Cohen

J.P. MORGAN, underwriter of a $409m highly leveraged senior debt facility for Swedish Match, announced it had closed syndication for the deal having distributed about half its exposure. Seven international banks are providing the other half of the financing.

The deal, launched into syndication in mid-January, had met resistance from lenders, partly because of the highly leveraged nature of the transaction. In mid-February, J.P. Morgan announced it was extending the syndication period indefinitely. The loan was the first highly leveraged deal to be syndicated after the collapse of Drexel Burnham Lambert, the US investment bank specialising in junk bonds.

Syndication of the loan was also slow because banks baulked at joining a deal in which repayment of about two-thirds of the senior debt depended upon disposals of assets in Latin America and the Philippines.

J.P. Morgan said yesterday there had been "recent positive developments" with respect to asset sales which had led to its decision to close syndication. Swedish Match is now involved in negotiations to sell significant portions of both its lighter and match businesses in a single block, rather than approaching the sales on a country-by-country basis. As a result of these negotiations, J.P. Morgan said it had increased its own target for the amount of Swedish Match debt it was willing to retain itself. As asset sales progress, the bank may resume syndication of the loan.

The loan, which is in two tranches, includes a $300m asset sale facility which carries a margin of 220 basis points over Libor and will be fully drawn immediately. It will be repaid over two years. The other tranche consists of a $109m five-year revolving credit facility, also paying 200 basis points over Libor and carrying a 50 basis point commitment fee.

● National Westminster Bank yesterday said it plans to establish a £750m medium-term note programme, the first to be set up since the Bank of England promulgated regulations for this type of facility in mid-January. The programme will include options to raise funds in dollars and other non-sterling currencies. While banks have always been allowed to raise medium-term finance of shorter than five years, corporations had only been able to do via bond markets.

NatWest Capital Markets is arranger of the programme.

# Underwriters focus on FRNs

By Norma Cohen

INVESTOR anxiety about rising world-wide interest rates has caused underwriters' attention to focus increasingly on floating-rate notes. Yesterday, Belgium tapped the markets with a Ecu250m 10-year floater which was increased to Ecu300m at the end of the day.

The issue, lead managed by Paribas Capital Markets, pays interest at the mean average between three-month London interbank bid and offered rates and is priced at par. It is callable after five years. The underwriters were encouraged by the launch of a similarly priced floater for CCCE, launched several weeks ago, which yesterday traded at 99.50 to par. Following the increase in issue size, Belgium's notes were quoted unchanged at 99.83 per cent bid, comfortably inside full fees of 25 basis points.

In spite of the specialised investor base for Ecu and concern over the D-Mark, several other borrowers are said to be lining up to tap the Eurobond markets in that currency. In particular, the EEC is expected shortly to offer a Ecu350m five-year issue, with proceeds immediately to be lent on to Hungary as part of the European effort to finance economic reconstruction in eastern Europe.

Also, NatWest Australia became the latest borrower to tap the demand for Eurobonds in Australian dollars which has been created by redemptions.

In Germany, Petroleow Mexicanos (Pemex), Mexico's state-owned oil company, tapped the D-Mark market for the first time since the international debt crisis in 1982. It issued, via Westdeutsche Landesbank, a DM100m five-year bond bearing a coupon of 11¼ per cent. At its par issue price, the bonds are yielding about 2¼ per cent over comparable maturity government bonds. Dealers said the issue met strong demand and was placed directly with domestic retail investors attracted by the high coupon. The issue was seen trading comfortably above its par issue price late yesterday.

### INTERNATIONAL BONDS

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **ECUs** | | | | | | |
| Belgium, Kingdom of(b)‡◆ | 300 | (b) | 100 | 2000 | 25bp | Paribas Capital Markets |
| **D-MARKS** | | | | | | |
| Petroleos Mexicanos(a)◆ | 100 | 11¼ | 100 | 1995 | 2/1¼ | WestLB |
| **AUSTRALIAN DOLLARS** | | | | | | |
| NatWest Australia(a)◆ | 50 | 15⅛ | 101.70 | 1993 | 1½/1 | NatWest Capital Markets |

‡Floating rate notes. ◆Final terms. a) Non-callable. b) Coupon pays 3-month Limean flat. Call at par on coupon dates from April 1995.

# Junk bond resets tick away ominously

**Janet Bush** on the way past hard sell tactics have turned some debt into a time bomb

One of Drexel Burnham Lambert's most ingenious marketing tools, the interest rate reset, has turned out to be a time bomb for the junk bond market.

The pioneer of high-yield bonds devised the reset to mollify investors sceptical about paying high prices for low grade securities. In essence, resettable bonds offered a promise that the interest rate would be adjusted periodically to restore debt to its original face value.

However, when bond prices are deeply depressed – as is now the case with most junk bonds – issuing companies may not be able to afford the astronomical (in one case more than 19 per cent) interest rates needed to fulfil their obligations to investors.

As doubts grow that a company may not be able to reset its bonds, the price plunges and makes the reset even more remote.

This fatal flaw was spectacularly illustrated by the bankruptcy of Hillsborough Holdings, the vehicle formed by Kohlberg Kravis Roberts, the buy-out specialist, to take Jim Walter, a Tampa-based building materials company, private two years ago. Hillsborough promised to reset $624m in junk bonds annually so they traded at 101 per cent of their face value.

Last November, Hillsborough's advisers realised bond prices had fallen so far they couldn't pay the interest rates needed. KKR tried to persuade investors to swap their old bonds for new ones at lower rates in an exchange offer but furious bondholders, led by Fidelity Investments in Boston, revolted. Hillsborough was forced to file for reorganisation under Chapter 11 of US bankruptcy code.

"Resets only work when you don't need them," said Mr Wilbur Ross, senior managing director of Rothschild of the US which represented many of Hillsborough's bondholders. "It is possible to reset bonds if they have only gone down a little. But if they are very depressed, the mathematics become too exaggerated."

Rothschild is now advising bondholders of two other highly-indebted companies who, advised by Goldman Sachs, the investment bank, are using a new – and some think aggressive – tactic called a cash tender offer to refinance their junk debt.

Community Newspapers, an affiliate of Ingersoll Newspapers, is under the gun of a reset. The second, Hallmark Cards, is not – but its Univision Holdings subsidiary, in which it has a 63.5 per cent stake, ran out of money to pay its debt service last month.

Ingersoll recently offered to buy back most of the $240m junk bonds issued by Community, now trading at around 40 cents for each dollar. Its offer is worth around 55 cents on the dollar.

Community, already unable to service its debt, is attempting to head off a reset of its bond at the beginning of July which would cripple the company even further. Hallmark Cards is trying to buy back $270m of bonds issued by Univision for around 40 per cent of the bonds' face value but has so far met with stiff resistance from militant bondholders.

The cash tender offer has already been extended at least twice and was extended again on Wednesday, to midnight yesterday, after negotiations with representatives of the bondholders. At midnight on Wednesday only 8 per cent of one series of bonds had been tendered, and 4 per cent of another tranche.

Mr Ross believes that these tender offers are important test cases and signal an attempt to shift the burden of the troubled junk bond market from issuers to the bondholders.

"What is at issue here is who absorbs how little of the punishment," he said. Initially, sponsors of leveraged buy-outs using junk bonds, such as Drexel and KKR, went to some lengths to accommodate bondholders, persuading them to accept exchange offers using sweeteners such as equity.

Exchange offers have, however, become a lot more difficult to achieve. This is partly because so many junk deals had complex structures involving many classes of bondholders who are now all fighting with each other, according to Mr Frank Columbo, head of high yield research at Dillon Read, the investment bank.

He cited a recent court ruling, by a New York bankruptcy judge, in a case involving LTV Corp.

The judge ruled that, in the case of a subsequent bankruptcy, bondholders who had exchanged old securities for new, lower-yielding ones would only be able to claim back the value of the new bonds.

The collapse of the junk bond market since last autumn has changed the power balance.

There are bondholders who are under severe pressure to divest their junk bonds. In the case of ailing Savings and Loans, the government has ordered them to sell by 1994.

In other cases, federal regulators are being much more strict about making institutions adjust their junk bond portfolios to current market prices – which has left some of them chronically short of capital.

In these market conditions, some bondholders are more likely to accept punitive terms to get rid of their junk.

Others, increasingly militant as deals have gone wrong, have stepped up their efforts to fight back against companies which, they argue, are taking advantage of distress to retire their debt cheaply.

While they do not have to tender their junk bonds, those left with the rump of bonds not sold would more than likely find the value of their holdings drop sharply, according to junk bond specialists.

Goldman Sachs does not believe cash tender offers will be widespread because few companies with difficulties paying debt service have access to the cash needed to buy back their bonds. However, if cash tender offers are not the wave of the future and if exchange offers have become more difficult to achieve, the market is left wondering what options are left open for companies which cannot pay their debts.

If Hallmark does not get the 95 per cent of the bonds it is tendering for, it seems likely that Univision will file for bankruptcy protection. Ingersoll's Community Newspapers has not missed any interest payments and is not in immediate danger. However, if bondholders band together against the tender offer, it faces a reset at the beginning of July.

Resets are not the only debt structure which could be a problem for junk bond issuers. Zero-coupon financings, the first of which was in 1985, are another accident waiting to happen. Designed to pay no interest often for the first five years, many of these bonds convert to interest-bearing debt over the next three years or so, meaning companies are hit with large debt service bills.

### SOME PROBLEM RESET DEADLINES

| Issuer | Reset date | Amount |
|---|---|---|
| Community Newspapers | July, 1990 | $125m |
| Miramar Marine | August, 1990 | $125m |
| SACC Holding | October, 1990 | $125m |
| SPI Holding | | |
| Spectradyne | October, 1992 | $144m |
| RJR Holdings | April, 1991 | $6.6bn |

Source: Wall Street investment banks

# OML plans Norwegian options

By Deborah Hargreaves

OML, the London offshoot of Sweden's electronic options trading exchange, plans to introduce options on Norwegian stocks in mid-April.

The move will mark the first attempt to trade Norwegian options, since they are restricted for legal reasons in Norway.

OML started in London late last year with an option on a Swedish stock index and added options on four Swedish stocks last week. The exchange, which quotes prices on a screen and takes orders over the telephone, has 10 members in London.

OML officials say they have seen a lot of interest in trading Norwegian options since Norsk Hydro – Norway's largest industrial company – sees a large turnover in its shares on London's automated stock trading system, SEAQ International. The company traded close to 90m shares on SEAQ last year.

OML initially expects to trade three Norwegian stock options, and is looking at a European product to add to its range. The exchange saw its volume grow last year to some 11,000 contracts a day, but it was affected by the 3-week Swedish banking strike last month and volume has dropped back to around 5,000 lots a day.

# Barclays loan stock buy-in

By Andrew Freeman

BARCLAYS BANK hopes to buy in the remainder of its 12 per cent £150m domestic subordinated loan stock. The repurchase will be conducted by Barclays de Zoete Wedd, its securities arm.

The offer remains open for two weeks at a maximum price of 95 or a spread of 145 basis points over the 9 per cent gilt maturing 2008. An official said the spread level was consistent with an earlier buy-in of the same issue, which accounted for about £50m.

BZW reported significant interest in the new offer and was buying bonds yesterday at 93⅝, against Wednesday's closing price of about 92¼.

The official said the group's statement on sterling buy-ins earlier this week was coincidental. BZW suggested to regulators that buy-ins were damaging liquidity at the long-end of the sterling bond market.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Thursday March 29 1990: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Wed Mar 28: Index No. | Tue Mar 27: Index No. | Mon Mar 26: Index No. | Year ago (approx): Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (202) | 854.28 | -0.5 | 13.56 | 5.24 | 8.99 | 9.07 | 858.60 | 859.08 | 868.53 | 941.31 |
| 2 Building Materials (27) | 1042.31 | -0.9 | 15.09 | 5.49 | 8.24 | 3.29 | 1052.07 | 1053.77 | 1066.24 | 1187.02 |
| 3 Contracting, Construction (37) | 1401.61 | -0.4 | 17.51 | 5.73 | 7.46 | 13.63 | 1406.87 | 1409.23 | 1416.93 | 1739.82 |
| 4 Electricals (10) | 2468.68 | -0.1 | 11.60 | 5.42 | 10.62 | 1.41 | 2471.73 | 2474.46 | 2494.16 | 2751.87 |
| 5 Electronics (29) | 1800.24 | -0.8 | 10.06 | 4.11 | 12.88 | 16.80 | 1814.36 | 1820.76 | 1852.39 | 2093.69 |
| 6 Engineering-Aerospace (8) | 438.80 | +0.5 | 15.24 | 5.27 | 8.07 | 7.69 | 436.71 | 437.94 | 439.84 | 0.00 |
| 7 Engineering-General (44) | 465.45 | +0.4 | 12.88 | 5.31 | 9.98 | 5.16 | 463.80 | 464.27 | 465.28 | 0.00 |
| 8 Metals and Metal Forming (6) | 479.55 | -1.7 | 24.54 | 6.50 | 4.60 | 0.53 | 487.74 | 487.74 | 496.99 | 534.92 |
| 9 Motors (16) | 348.06 | -0.4 | 14.50 | 6.40 | 8.17 | 5.74 | 349.43 | 348.96 | 355.84 | 307.89 |
| 10 Other Industrial Materials (25) | 1570.53 | -0.5 | 11.40 | 5.05 | 10.22 | 27.90 | 1578.12 | 1572.97 | 1588.69 | 1596.50 |
| 21 CONSUMER GROUP (176) | 1222.48 | -0.5 | 9.65 | 4.01 | 12.93 | 6.08 | 1228.70 | 1223.39 | 1237.60 | 1161.21 |
| 22 Brewers and Distillers (22) | 1439.87 | -1.0 | 10.07 | 3.83 | 12.26 | 6.57 | 1454.45 | 1445.45 | 1460.50 | 1264.10 |
| 25 Food Manufacturing (20) | 1059.43 | -0.3 | 10.50 | 4.44 | 11.82 | 8.09 | 1062.42 | 1060.99 | 1066.95 | 1016.18 |
| 26 Food Retailing (16) | 2243.90 | -0.4 | 9.02 | 3.39 | 14.38 | 7.38 | 2252.99 | 2261.57 | 2268.55 | 1971.72 |
| 27 Health and Household (13) | 2514.93 | -0.7 | 7.19 | 2.76 | 16.62 | 14.72 | 2532.15 | 2518.45 | 2559.70 | 2148.12 |
| 29 Leisure (31) | 1420.27 | -0.8 | 9.98 | 4.29 | 12.37 | 6.96 | 1431.24 | 1412.49 | 1444.78 | 1602.18 |
| 31 Packaging & Paper (13) | 566.28 | +0.3 | 12.79 | 5.67 | 9.71 | 2.66 | 564.79 | 554.07 | 566.53 | 592.95 |
| 32 Publishing & Printing (16) | 3261.41 | +0.9 | 9.87 | 5.37 | 12.95 | 23.01 | 3233.59 | 3225.36 | 3235.91 | 3684.34 |
| 34 Stores (33) | 747.57 | -0.4 | 11.74 | 5.03 | 11.05 | 1.82 | 750.30 | 748.18 | 758.38 | 760.09 |
| 35 Textiles (12) | 494.26 | -0.4 | 13.19 | 7.09 | 9.55 | 0.59 | 496.29 | 496.31 | 496.90 | 514.15 |
| 40 OTHER GROUPS (104) | 1154.54 | -0.2 | 10.81 | 4.92 | 11.06 | 7.00 | 1157.13 | 1152.91 | 1169.92 | 1056.32 |
| 41 Agencies (17) | 1589.25 | +1.8 | 5.67 | 2.42 | 21.74 | 12.19 | 1561.91 | 1564.03 | 1574.84 | 1247.49 |
| 42 Chemicals (23) | 1211.63 | -0.3 | 12.09 | 5.44 | 9.63 | 22.72 | 1215.46 | 1216.67 | 1298.72 | 1206.11 |
| 43 Conglomerates (13) | 1608.39 | +0.4 | 10.11 | 6.09 | 11.64 | 5.78 | 1602.46 | 1595.69 | 1625.26 | 1499.35 |
| 44 Transport (13) | 2232.47 | -0.3 | 10.94 | 4.44 | 11.63 | 6.69 | 2239.25 | 2236.77 | 2267.52 | 2335.19 |
| 46 Telephone Networks(2) | 1177.29 | -1.0 | 10.78 | 4.35 | 12.06 | 0.00 | 1189.73 | 1178.49 | 1194.86 | 1091.88 |
| 47 Water(10) | 1936.57 | -0.6 | 18.00 | 6.99 | 6.15 | 0.00 | 1947.31 | 1942.32 | 1964.96 | 0.00 |
| 48 Miscellaneous (26) | 1832.19 | -0.4 | 9.94 | 4.51 | 11.36 | 18.00 | 1838.76 | 1832.42 | 1857.78 | 1484.92 |
| 49 INDUSTRIAL GROUP (482) | 1122.82 | -0.4 | 10.98 | 4.60 | 11.13 | 7.53 | 1127.50 | 1124.20 | 1138.24 | 1096.64 |
| 51 Oil & Gas (18) | 2321.50 | -0.8 | 10.59 | 5.19 | 12.45 | 35.47 | 2339.78 | 2333.29 | 2359.91 | 1953.69 |
| 59 500 SHARE INDEX (500) | 1222.52 | -0.5 | 10.93 | 4.69 | 11.30 | 9.71 | 1228.26 | 1224.70 | 1239.80 | 1169.52 |
| 61 FINANCIAL GROUP (113) | 802.29 | ...... | – | 5.59 | – | 12.54 | 802.08 | 796.89 | 805.50 | 742.62 |
| 62 Banks (9) | 889.93 | ...... | 18.88 | 6.00 | 6.95 | 24.14 | 889.68 | 878.81 | 889.27 | 723.79 |
| 65 Insurance (Life) (7) | 1278.21 | -0.1 | – | 5.70 | – | 11.81 | 1279.81 | 1280.00 | 1302.99 | 1100.41 |
| 66 Insurance (Composite) (7) | 657.32 | -0.1 | – | 6.04 | – | 7.72 | 657.89 | 658.32 | 666.57 | 592.24 |
| 67 Insurance (Brokers) (6) | 1022.13 | ...... | 7.26 | 6.28 | 18.28 | 16.73 | 1021.97 | 1021.47 | 1018.30 | 961.92 |
| 68 Merchant Banks (8) | 460.51 | +0.5 | – | 4.12 | – | 4.27 | 458.06 | 454.16 | 455.23 | 332.70 |
| 69 Property (49) | 1089.53 | ...... | 8.33 | 4.00 | 15.20 | 1.88 | 1089.34 | 1080.64 | 1089.83 | 1321.00 |
| 70 Other Financial (27) | 318.99 | +0.3 | 13.90 | 6.96 | 9.48 | 2.89 | 318.06 | 319.05 | 320.69 | 372.23 |
| 71 Investment Trusts (68) | 1158.40 | ...... | – | 3.27 | – | 8.65 | 1158.85 | 1161.21 | 1174.79 | 1085.29 |
| 91 Overseas Traders (5) | 1411.98 | ...... | 9.14 | 6.48 | 13.18 | 31.27 | 1412.21 | 1399.98 | 1409.70 | 1401.57 |
| 99 ALL-SHARE INDEX (686) | 1120.33 | -0.4 | – | 4.79 | – | 10.30 | 1124.57 | 1120.83 | 1134.34 | 1065.26 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Mar 28 | Mar 27 | Mar 26 | Mar 23 | Mar 22 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2263.0 | -12.0 | 2276.3 | 2259.9 | 2275.0 | 2266.2 | 2298.2 | 2283.9 | 2258.9 | 2049.4 |

### FIXED INTEREST

| PRICE INDICES | Thu Mar 29 | Day's change % | Wed Mar 28 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 Up to 5 years | 112.74 | +0.11 | 112.61 | – | 3.41 |
| 2 5-15 years | 117.49 | +0.28 | 117.16 | – | 3.00 |
| 3 Over 15 years | 119.60 | +0.28 | 119.27 | – | 4.16 |
| 4 Irredeemables | 138.39 | +0.23 | 138.08 | – | 1.51 |
| 5 All stocks | 117.75 | +0.22 | 117.48 | – | 3.34 |
| **Index-Linked** | | | | | |
| 6 Up to 5 years | 140.86 | +0.06 | 140.77 | – | 0.94 |
| 7 Over 5 years | 132.61 | +0.06 | 132.53 | – | 1.05 |
| 8 All stocks | 133.12 | +0.06 | 133.04 | – | 1.04 |
| 9 Debentures & Loans | 95.78 | +0.64 | 95.42 | 0.25 | 2.96 |
| 10 Preference | 75.16 | -0.03 | 75.19 | – | 1.92 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thu Mar 29 | Wed Mar 28 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low Coupons | 5 years | 11.78 | 11.79 | 9.50 |
| 2 | 15 years | 11.38 | 11.42 | 9.11 |
| 3 | 25 years | 11.26 | 11.29 | 8.96 |
| 4 Medium Coupons | 5 years | 12.95 | 13.00 | 10.54 |
| 5 | 15 years | 11.82 | 11.86 | 9.58 |
| 6 | 25 years | 11.39 | 11.41 | 9.14 |
| 7 High Coupons | 5 years | 13.06 | 13.11 | 10.67 |
| 8 | 15 years | 12.12 | 12.15 | 9.80 |
| 9 | 25 years | 11.64 | 11.67 | 9.33 |
| 10 Irredeemables | † | 11.27 | 11.30 | 8.93 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | Up to 5yrs | 4.62 | 4.63 | 3.54 |
| 12 Inflation rate 5% | Over 5 yrs | 4.13 | 4.13 | 3.52 |
| 13 Inflation rate 10% | Up to 5 yrs | 3.62 | 3.63 | 2.63 |
| 14 Inflation rate 10% | Over 5 yrs | 3.95 | 3.95 | 3.35 |
| 15 Debs & Loans | 5 years | 15.59 | 15.56 | 11.95 |
| 16 | 15 years | 14.27 | 14.42 | 11.41 |
| 17 | 25 years | 13.54 | 13.66 | 10.87 |
| 18 Preference | † | 12.26 | 12.26 | 10.05 |

‡Opening index 2273.1; 9 am 2274.5; 10 am 2273.8; 11 am 2272.8; Noon 2268.4; 1 pm 2263.7; 2 pm 2263.5; 3 pm 2264.9; 4 pm 2260.8; 4.10 pm 2261.7; (a) 9.42am (b) 3.46pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 85 | 1 | 11 |
| Corporations, Dominion and Foreign Bonds | 8 | 2 | 16 |
| Industrials | 296 | 395 | 900 |
| Financial and Properties | 115 | 147 | 446 |
| Oils | 16 | 36 | 39 |
| Plantations | 3 | 1 | 6 |
| Mines | 19 | 58 | 81 |
| Others | 46 | 91 | 116 |
| Totals | 588 | 731 | 1,615 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1989/90 High | 1989/90 Low | Stock | Closing Price | +or- | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1989/90 High | 1989/90 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1989/90 High | 1989/90 Low | Stock | Closing Price p | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 80 | Nil | – | 10pm | 5pm | Life Sciences Intl 10p | 10pm | +½ |
| 150 | Nil | – | 16pm | 1pm | Newman Tonks Group | 1pm | -1 |
| 285 | Nil | – | 56pm | 50pm | Simon Engineering | 55pm | |
| 150 | Nil | – | 15pm | 11pm | Staveley Industries | 15pm | +2 |
| 25½ | Nil | – | 11pm | 9pm | Waterford Wedgwood Units | 9pm | |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market.

### TRADITIONAL OPTIONS

● First Dealings March 19
● Last Dealings March 30
● Last Declarations June 21
● For settlement July 2

For rate indications see end of London Share Service

Calls in Kelt Energy, Coloroll, LIT, Monarch Res., Saville Gordon, Budgens, Sunleigh, Benlox and Richmond Oil & Gas.

### LONDON TRADED OPTIONS

The options and futures markets were boosted yesterday by heavy dealing in the March contracts, both of which expire this morning.

The FT-SE March and June futures traded a total of 11,304 contracts compared with 7,613 in the previous session and made it one of the busiest days so far this year.

The futures market began the day with buyers and sellers roughly in balance. But by mid-morning, worries about an early decline on Wall Street and persistant heavy selling of the futures by one securities house pushed the market lower. The drop in the futures market depressed the cash index, and by early afternoon, the FT-SE index had moved from down 1 point to down 11.

The March FT-SE index closed 19 points lower at 2,281, which placed it at a 1 point premium to the cash market.

The expiry of March contracts gave trading a large boost in the options market as well. Total turnover amounted to 18,338 lots, of which 10,681 were calls and 7,657 were puts. The busiest series were the March 2,300 calls, which traded 3,434.

Dealers said trading levels were boosted by one broker which transacted close to 7,000 FT-SE options, most of which were related to the expiry of the March contracts.

The April 2,250 calls were bought 1,000 times, while the March 2,250 calls were sold. The March 2,300 calls were also sold. Another investor sold the April 2,250 calls 1,000 times.

Among the stock options, Rolls-Royce was the busiest, trading 2,503 lots. This was divided between 2,141 calls and 362 puts.

The June 180 call series was the most active.

Turnover was lifted by a seller of 1,500 June 180 calls. Another investor bought 300 June 160 calls and sold 300 June 160 puts.

Sears was another busy option, trading 1,977 lots, as one house bought 200 December 110 calls.

British Telecom saw brisk two-way trade with buyers of the May 280 calls and sellers of the August 300 calls.

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*456) | 420 | 41 | 50 | 65 | 2½ | 8 | 14 |
| | 460 | 12 | 25 | 41 | 11 | 25 | 30 |
| | 500 | 3 | 11 | 23 | 46 | [illegible] | 55 |
| ASDA (*107) | 100 | 11 | 17 | 18 | 2 | 4½ | 7 |
| | 110 | 4½ | 9 | 11 | 3½ | 8 | 11½ |
| | 120 | 1½ | 6 | 8 | 14 | 15 | 16 |
| Brit. Airways (*206) | 180 | 29 | 32 | 38 | 1 | 4 | 6 |
| | 200 | 12 | 17 | 26 | 3 | 10 | 13 |
| | 220 | 2½ | 8 | 16 | 16 | 21 | 24 |
| Brit Gas (*60) | 60 | 7 | 11 | 12 | 3 | 7 | 9 |
| | 70 | 3½ | 6½ | 10 | 13 | 17 | 19 |
| Utd. Biscuits (*319) | 300 | 25 | 38 | 47 | 4 | 6½ | 9½ |
| | 330 | 7 | 20 | 28 | 16 | 20 | 22 |
| Unilever (*668) | 650 | 22½ | 44½ | 68 | 10 | 18½ | 25 |
| | 700 | 2½ | 20 | 41 | 49½ | 50½ | 52½ |
| Ultramar (*366) | 360 | 16 | 35 | 47 | 8 | 17 | 20 |
| | 390 | 6 | 18 | 30 | 27 | 30 | 35 |
| Amstrad (*69) | 60 | 13½ | 17 | 20 | 2½ | 4½ | 5½ |
| | 70 | 7½ | 12 | 14 | 5½ | 7½ | 9½ |
| Barclays (*590) | 550 | 60 | 75 | 92 | 7 | 14 | 14 |
| | 600 | 25 | 42 | 60 | 23 | 30 | 30 |
| Blue Circle (*216) | 200 | 20 | 26 | 34 | 5½ | 8 | 11 |
| | 220 | 8 | 15 | 24 | 17 | 19 | 20 |
| British Gas (*214) | 200 | 23 | 25 | 30 | 2½ | 5½ | 6½ |
| | 220 | 9 | 12 | 18 | 19 | 14 | 15 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls May | Calls Aug | Calls Nov | Puts May | Puts Aug | Puts Nov |
|---|---|---|---|---|---|---|---|
| Brit Aero (*518) | 500 | 38 | 63 | 75 | 15 | 22 | 28 |
| | 550 | 14 | 35 | 50 | 42 | 45 | 52 |
| BAA (*403) | 390 | 30 | 41 | 55 | 12 | 15 | 21 |
| | 420 | 14 | 25 | 38 | 26 | 33 | 35 |
| BAT Inds (*795) | 750 | 67 | 100 | 128 | 9 | 16 | 23 |
| | 800 | 30 | 63 | 88 | 25 | 30 | 37 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Jun | Calls Sep | Calls Dec | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|
| Dixons (*121) | 120 | 9½ | 14 | 17 | 6½ | 9 | 10 |
| | 130 | 3½ | 8½ | 10½ | 12 | 15 | 16 |
| Glaxo (*779) | 775 | 52 | – | – | 25 | – | – |
| | 800 | 37 | 65 | 80 | 40 | 47 | 54 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### EURO FT-SE INDEX (*2262)

[illegible]

#### FT-SE INDEX (*2263)

[illegible]

[illegible]

## UK COMPANY NEWS

Acquisitions contribute 50% of profits growth as Del Monte adds £2m

# Polly Peck improves by 44% to £161m

By Jane Fuller

POLLY PECK International, the electronics and fresh produce group, saw pre-tax profits grow by 44 per cent to £161.4m in 1989.

That figure includes just one month's contribution, of about £2m, from the Del Monte fresh fruit operation, bought for £557m from RJR Nabisco.

The profit figure was reduced by a doubling of interest charges to £66.1m and by a near trebling of depreciation to £28.2m.

The food division contributed about half of the group's £1.16bn sales, a total 53 per cent up on 1988, and it furnished a £40m profit increase to £128.2m.

Mr Asil Nadir, chairman, said half the growth had come from acquisition and the rest was organic. The profit margin slipped to 22.4 per cent (25.7 per cent) because it had taken a while to introduce the company's sources into a newly-acquired distribution operation.

Del Monte had made a profit of about $76m (£47m) on sales of $500m in 1989. It gave Polly Peck strength in America and the Pacific and brought in products which the group had not sold before.

Electronics contributed £483.5m sales and £31.4m in profits. Mr Nadir said the company was cushioned against local difficulties by its global marketing and wide product range – computer peripherals, brown goods and white goods. Its flexible approach meant it could switch the sources of goods from country to country.

Yet to contribute is Sansui, the Japanese audio products business. Polly Peck completed the acquisition of its 51 per cent stake in January.

Sansui incurred a loss in 1989 of about $30m. Mr Nadir said it would at least break even this year.

Having disposed of most of its textile interests – the rest is expected to go soon – the group has started a leisure division. Six hotels, on which the group has spent £200m, will open in north Cyprus and southern Turkey from April. In a full year Mr Nadir said he expected the return on that investment to be at least 20 per cent.

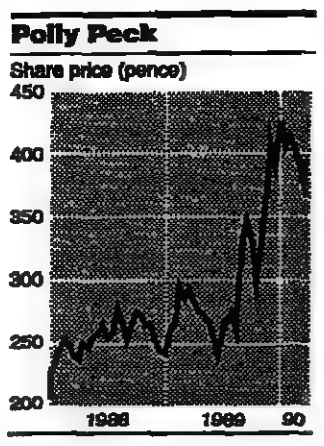
Because of rights issues, the advance in fully diluted earnings per share was 16 per cent to 43.2p (37.1p) on a lower tax rate of 14 per cent – described as normal for Polly Peck.

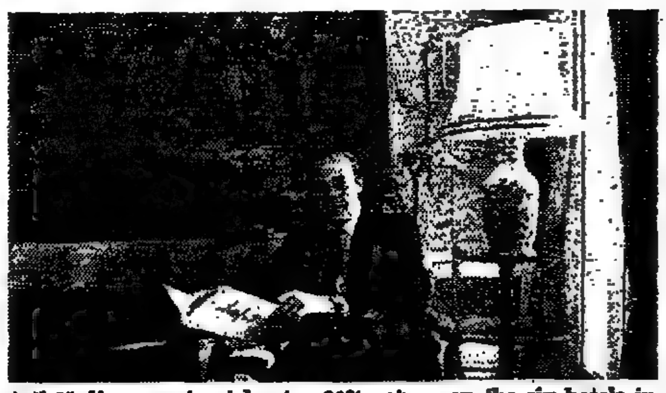
Debt more than trebled, from £255m to about £850m. Gearing rose from 65 per cent to 103 per cent after a doubling of shareholders' funds. Mr Nadir said gearing would be reduced to about 80 per cent after the sale and leaseback of nine Del Monte ships. Built for $184m, he expected the deal to bring in 25 per cent more than that.

The group also announced a 1-for-10 scrip issue and said all or part of the 8p final dividend could be taken in shares. The total dividend is 13p (9.5p).

The share price closed 2p down at 393p.

See Lex



Asil Nadir: expects at least a 20% return on the six hotels in north Cyprus and Turkey, part of the new leisure division

# UK profits restrict Redland to 13% advance at £250m

By Andrew Taylor, Construction Correspondent

THE UNLEASHING of new markets in eastern Europe together with expansion in West Germany, Spain and France will make the Continent one of the world's biggest growth areas for construction investment according to Redland, which yesterday announced a 13 per cent increase to £250.2m in pre-tax profits for 1989.

Almost 60 per cent of the British building group's profits were earned outside of the UK. Profits from continental Europe rose by 17 per cent from £68.9m to £80.8m.

UK profits growth was more prosaic, rising by less than 3 per cent to £107.4m. Increased profits from aggregate sales to commercial, industrial and infrastructure developers were offset by reduced demand for tiles and bricks from housebuilders.

On the other hand, Redland achieved strong profits growth in its West German and US roof tiles businesses. Its US company benefited from a switch away from timber shingles to concrete roof tiles in fire risk areas like California and Florida.

Mr Gerald Corbett, finance director, said housing starts in West Germany, where Redland is the largest supplier of roof tiles, were forecast to rise by more than a third this year.

This excluded any business the company might win in East Germany as a result of the sweeping political changes which had taken place in eastern Europe.

Redland also operates tile factories in Hungary and is negotiating a joint venture deal to manufacture roof tiles in the Soviet Union and Poland.

A rise in US profits was also anticipated this year. Concrete roof tiles were expected to increase market share further while the Maryland aggregates business should bounce back after bad weather – annual rainfall increased from 29 inches to 48 inches – hit profits last year.

In spite of this, US profits increased last year by 14 per cent from £39.8m to £45.5m.

The biggest gain was achieved in Australia and the Far East, where operating profits jumped by 68 per cent from £13.8m to £23.2m. Profits in Australia are expected to fall this year with housing starts forecast to fall from 170,000 to 140,000.

Group turnover amounted to £1.55bn, leaving earnings 17 per cent higher at 61.2p.

The final dividend is raised by 2.3p to 15.85p making a 17.9 per cent increase for the year to 23.35p.

See Lex

# Wembley profits slip to £11.16m

WEMBLEY yesterday reported 1989 pre-tax profits slightly lower at £11.16m, against £11.24m previously.

The interim figures had dropped 45 per cent from £7.51m to £4.16m, but this fall reflected the inclusion of a £4.14m exceptional credit in 1988.

Turnover of the group, which presents sports and entertainment events, jumped 73 per cent from £43.98m to £76.28m. Directors said that bookings and orders for 1990 were well in advance of this time last year.

They said the group now had a better balance between an asset-rich portfolio with low returns and an earnings vehicle with low asset backing. Wembley's strategy continued to be the development of its core activities and the raising of profitability.

Exceptional profits amounted to £2.71m (£4.14m) and arose mainly from property disposals. After tax of £2.74m (£3.27m) earnings per share were 10.5p (10p) basic, or 9.3p (9p) fully diluted. There was also an extraordinary credit of £4.28m in 1988.

# Utd Newspapers slows to £111m

By Jane Fuller

BAD NEWS on the performance of United Newspapers' national titles, the Daily and Sunday Express and the Daily Star, lay behind a slowing of pre-tax profit growth to 3 per cent in 1989.

The increase from £107.73m to £111.23m came on sales up 6 per cent from £753.82m to £801.62m.

National newspapers contributed £23.97m to trading profit, nearly £8m less than in 1988. This ate into improved performances from regional newspapers, advertising periodicals, magazines and exhibitions.

Although interest charges doubled to £15.84m, the group benefited from a pensions windfall of nearly £5m (because of changes in accounting practices). The strength of the dollar added £2m to trading profit in a year during which nearly £34m (£22.74m) came from US activities.

Mr Graham Wilson, finance director, said the falling circulation of the national titles had had a big impact because of the effect on advertising revenue.

Although the headcount had been reduced, newsprint prices had risen by more than 5 per cent and there had been costs associated with moving the newspapers' headquarters.

But, in a fiercely competitive environment, there had been no cover price increase until November, when the Daily Express went up 3p to 25p. It had held market share, but the Sunday Express had lost some.

Regional newspapers, the main beneficiary of the pensions windfall, saw trading profit advance to £26.83m (£20.29m).

Advertising periodicals, saw the strongest profits growth, to £29.38m (£29.34m). Advertising revenue grew 20 per cent in the UK and 27 per cent in the US.

Another good transatlantic performance was registered by the magazines and exhibitions business, which contributed £34.75m (£29.35m).

Profits of the Extel information service fell slightly because of weakness in the financial markets. The group also announced yesterday that it was selling the Extel sports news branch to the Press Association for £5.1m.

Earnings per share were 38p (37.5p). The final dividend was 13.5p, for a total of 21p (20.5p).

● COMMENT

The decline of the national titles is such that the group is now stressing that only 20 per cent of its 1989 trading profit came from them. The drawback is that they still account for a third of sales; and none of the other divisions is big enough to restore the pace of progress. While advertising periodicals and magazines and exhibitions, which are also less UK-exposed, should have another good year, the advance in UK regional newspapers may slow if the squeeze on advertising spreads to the provinces. Profit forecasts for this year range from £113m to £116m, but earnings per share are expected to be dimmed by a higher tax charge and a preference share dividend. The prospective p/e on yesterday's closing price of 345p is about 9.5.

# GRE falls £91m to £148m but raises dividend 15%

By Andrew Hill

EARNINGS AT Guardian Royal Exchange, the composite insurance company, slipped from 19.4p to 11.4p per share last year, as profits dropped to £148.3m before tax, compared with £239.1m in 1988.

However, the group was able to increase its dividend for the year by 15 per cent, following capital appreciation of 23 per cent which bolstered shareholders' funds by more than £300m.

GRE recommended a final dividend of 7.5p, making a total of 11.5p (10p) for the year.

Investment income during 1989 rose about 29 per cent to £291.3m (£225.5m) after interest payments, but short-term insurance losses cut that benefit.

Overall, short-term and long-term insurance business lost £143m, against a profit of £13.6m the previous year.

Mr Peter Dugdale, chief executive, pointed out that comparable 1988 figures had been boosted by reinsurance recoveries following the October 1987 storm, and he also highlighted the increase in non-life premium income, which rose from £1.58bn to £2bn during the year.

The group was badly hit by deterioration in the Irish motor insurance operation and underwriting business also weakened in the UK, where pre-tax profits slumped from £161m to £135m, in spite of the support of stronger investment income, which increased to £134m (£105m).

In addition, GRE suffered from difficult market conditions in Australia, where it was affected by the Newcastle earthquake, and Canada.

The new Italian subsidiaries – owned jointly with a Turin bank – recorded a £19.7m underwriting loss in their first nine months with the group, but GRE said this did not reflect the potential benefits of new ownership.

# Associates loss hits Relyon

RELYON, the bedding manufacturer and supplier of surveillance equipment, reported 1989 pre-tax profits 14 per cent lower at £3.81m, against £4.42m. Results were affected by an increased share of the losses of associates.

The company said that sizeable costs had been incurred in developing the associates. They were expected to become net contributors to the group during the present year.

Turnover was virtually static at £38.83m (£38.49m) for operating profits unchanged at £4.29m. The share of the losses of associates was £616,000 (£135,000).

Earnings per share came out at 15.19p (20.88p). The dividend is unchanged at 6.25p with a same-again final of 4.15p.

# Bridport-Gundry ahead to £0.51m

With its core businesses continuing to do well, Bridport-Gundry lifted profits from £306,000 to £510,000 in the six months to January 31 1990.

This maker of netting and twisted and woven products saw turnover fall to £16.18m (£17.4m). Earnings worked through at 3.22p (1.95p) and the interim dividend was held at 1.9p.

# Rise to £2.5m at Dolphin Packaging

In 1989, "a year of consolidation", Dolphin Packaging, the USM-quoted plastics packaging group, lifted pre-tax profits by 36 per cent.

On a year-on-year basis, turnover advanced 43 per cent to £26.74m (£18.75m) and profits worked through at £2.48m (£1.83m). From earnings of 8.69p (6.89p) the dividend is raised to 3.7p with a final of 2.5p.

The last accounting period covered seven months to December 31 1988. Turnover was £18.19m; pre-tax profits £895,000; earnings 3.33p; and the dividend 1.87p.

## UK COMPANY NEWS

# Burton just beats City forecasts with £116.3m

By Maggie Urry

BURTON GROUP, the retailer and property developer, yesterday just beat analysts expectations with interim pre-tax profits only slightly down, from £117.5m to £116.3m. The result included £400,000 earned on property sales.

The company, chaired by Sir Ralph Halpern, also attempted to allay investors' fears about potential losses from its property activities.

Sales for the 26 weeks to March 3 were 10 per cent higher at £986.4m. Interest charges were £15.5m (£12m). The company said the result was good given difficult trading conditions.

The shares rose by 1p to 162p yesterday. Analysts said the shares would have responded better but for a line of stock overhanging the market.

Trading profits from retailing activities rose 3.5 per cent to £107.6m, on sales 8.4 per cent up at £923.8m. Trading margins fell from 12.2 per cent to 11.6 per cent. The group said that net margins had been squeezed by about 1 percentage point by the rise in rents. However, cost cutting had saved about ½ percentage point on margins.

In the second half, the introduction of uniform business rate would cost an extra £3m, and an extra £7m in a full year.

Financial services profits fell marginally to £13.4m (£13.5m). High interest rates had persuaded more customers to pay off credit card debts more promptly, and there had been a slight rise in bad debt ratios.

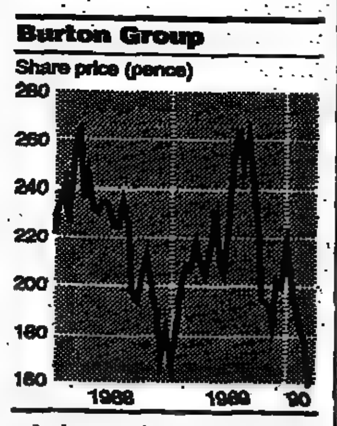
Profits from property fell to £10.4m (£12m) as the property market had softened and activity levels were lower.

Investors have been concerned about five shopping centres for which the group has been unable to find institutional backing. The first is now open and will begin to have a negative impact on profits when it is fully let as rents received will be less than funding costs.

The group said that the maximum loss the five centres together could make in a financial year would be £13m, and that once rent reviews started to come through after five years the centres would start to make a profit. The effect on the balance sheet would be to raise gearing from 47 per cent to 60 per cent.

Burton also commented on its off-balance sheet debt, mainly involved in its consumer credit business. If that was brought on to the balance sheet, under new Companies Act proposals, gearing would rise to 114 per cent.

Earnings were flat at 14p and the interim dividend is raised by 7 per cent to 8p, which the company said was intended to reflect current inflation rates.




● COMMENT

Burton went some way to calming analysts fears about the property business. Even so, the effect of the weakening property market is being felt sooner than expected on development profits and though retailing has held up well so far, the implication is that the second half will be tougher. Thus forecasts are still about £200m against £220.6m, and, depending on which way earnings are calculated, the prospective p/e is 8 at most. The yield is approaching 8 per cent, which ought to give the shares support. But there seems little chance of a recovery from the dismal share price performance over the last five years until the City is much more confident about the £300m-worth of shopping centres likely to show up on the balance sheet.

# Courtwell sells casino for £20m

By Andrew Bolger

COURTWELL GROUP, formerly the Bear Brand hosiery group, has sold the Barracuda Club Casino in London for £20m to First Hamlin, the private Midlands group.

Courtwell acquired the Barracuda in January when it reversed into Leisure Investments, the casino and gaming group, with an all-paper offer which valued LI at £80m.

It also announced that Mr Edward Vandyk, chief executive, would take over as chairman from Mr Nicholas Oppenheim, who was leaving.

Contrary to expectations when the current board structure was put in place in January, it had become apparent that for Mr Oppenheim to continue he would have had to devote the whole of his time and energy to the group. This he was unable to do in view of his commitments as chairman of other public companies.

Mr Vandyk said that the 1989 report and accounts for Leisure Investments were being prepared and would be issued within the next few weeks. It would be necessary to write down the value of many of its assets and make substantial provisions for foreseeable losses and reorganisation costs.

Courtwell said these charges would result in significant losses being reported by LI for 1989. Trading in certain subsidiaries remained poor.

Courtwell said it was in discussions with several parties over the sale of LI's Lingfield Park racecourse, which is expected to fetch over £25m.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - pending dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Bridport-Gundry ......int | 1.9 | - | 1.9 | - | 7 |
| Brooks Service ......fin | 3.91 | May 22 | 3.4 | 5.75 | 5 |
| Burmah Oil ......fin | 13.5 | July 12 | 12 | 21.5 | 19 |
| Capital & Reg § ......fin | 0.5 | May 25 | 0.4 | 0.9 | 0.6 |
| Citygrove ......fin | nil | - | 5 | 5 | 7.5 |
| Colroy ......int | 2.25 | June 8 | 2 | - | 7.5 |
| Cont Microwave§ ......int | 1.1 | - | 1.1 | - | 3.15 |
| Desphin ......fin | 3.3 | May 23 | 2.7 | 4.8 | 4 |
| Dean & Bowes § ......fin | 3.25† | May 31 | 3 | 6 | 5 |
| Dolphin Pkg § ......fin | 2.5 | - | 2 | 3.7 | 3.2 |
| Druck § ......int | 2.8 | May 21 | 2.5 | - | 7.4 |
| Euro Home Prods ......fin | 3.5 | May 21 | 3.5 | 6 | 6 |
| EW Fact § ......fin | 2.5 | May 25 | - | 3.5 | - |
| Fitch-RS ......fin | 5 | May 31 | 6.5 | 9.5 | 9.5 |
| Gibbs & Dandy ......fin | 2 | May 16 | 1.75 | 2 | 2.75 |
| Guardian Royal ......fin | 7.5† | July 2 | 6.5 | 11.5 | 10 |
| Jeyes § ......fin | 2.8† | June 29 | [illegible] | 4.7 | 0.9 |
| L'don Forfait § ......fin | 4.625 | May 9 | 4.625 | 7.25 | 7.25 |
| Macfarlane ......fin | 3.2† | May 17 | 2.8 | 5.5 | 4.85 |
| Melville Group ......int | 1.6 | - | 1.5 | - | 4.9 |
| Murray Ventures ......int | 3.25 | - | 2.5 | - | 7.2 |
| NMW Computers ......fin | 0.25 | - | 0.25 | 0.25 | 0.25 |
| Plasmec § ......fin | 3.2 | - | 2.7 | 5 | 4.2 |
| Polly Peck ......fin | 8 | Aug 3 | - | 13 | 9.5 |
| Portmeirion ......fin | 4.3† | May 18 | - | 6.1 | - |
| Radius § ......fin | 1.9 | - | 1.9 | 2.65 | 2.65 |
| Redland ......fin | 15.85 | July 2 | 13.55 | 23.35 | 19.8 |
| Relyon ......fin | 4.15 | - | 4.15 | 6.25 | 6.25 |
| Slough Estates ......fin | 5.6 | - | 5.6 | 10.5 | 8.9 |
| Thames TV ......fin | 6.85‡ | - | 10.25 | 12‡ | 15 |
| Thurgar Bardex ......fin | 1.65 | June 1 | 1.65 | 2.5 | 2.5 |
| Town Centre Secs ......int | 0.75 | - | 0.6 | - | 1.8 |
| TV-am § ......fin | 6 | May 18 | 5 | 10 | 6.5 |
| Wembley ......fin | 1.3 | - | 1 | 2 | 1.5 |
| Wilkes (James) ......fin | 4.75 | July 1 | 4.25 | 9 | 7.75 |
| Willaire ......int | 0.51† | July 2 | 0.5 | - | 0.75 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For nine months.

# Lubricants and lower tax help Burmah improve to £96.5m

By David Thomas, Resources Editor

BURMAH OIL, the chemicals and fuels group, yesterday reported a rise of 9.5 per cent to £96.5m in after-tax profits for 1989.

The results were at the top end of the market's expectations and the shares rose 9p to 599p.

Continuing volume increases by Burmah's lubricants division, dominated by Castrol, together with a lower tax charge, underpinned the results.

However, the company warned that competitive conditions would continue to be fierce in most of its main markets this year.

Turnover (net of duties) rose 12.5 per cent to £1.54bn and pre-tax profits 6 per cent to £155m.

Trading profits in lubricants, Burmah's biggest division, advanced to £116.5m (£112.2m), thanks to a 6.5 per cent increase in volumes, and in spite of a generally static market.

Lubricants profits increased 12 per cent, once an exceptional property gain in 1988 was stripped out.

Speciality chemicals profits were up 9 per cent at £17.1m, a performance blamed on lower economic growth in the UK and the US.

Mr Lawrence Urquhart, chief executive, said the company would be seeking acquisitions to give it critical mass in speciality chemicals.

Fuels retailing achieved a 23 per cent profit increase to £18.2m. Burmah attributed the 38 per cent rise in shipping profits to £20.8m to increased LNG cargoes and the benefits of a joint venture with one Japanese line.

The tax charge was only marginally up at £58.5m – 38 per cent of pre-tax profits. But Burmah expects the charge to return to the more normal 40 per cent rate this year.

Mr Urquhart said that the stake in Burmah held by SHV, the privately-owned Dutch group, remained at 9.14 per cent.

Earnings came out at 52.47p (49.34p) per share and the total dividend is 21.5p (19p) after a proposed final of 13.5p.

● COMMENT

"Trabants could mean very good business for us", was Burmah's wry way of describing its ambitions in East Europe, where it already does £20m of business. Yet underlying the joke is the serious need for Burmah to develop new markets for its lubricants. No one questions Castrol's solid recent performance in the US, but few people believe that it can continue to take market share at the same rate. Meanwhile, the bears and the bulls are almost evenly divided about the company's short-term prospects. Sceptics point to the tax gain and exceptional provisions in the shipping division as heavy contributors to the apparently creditable 1989 figures. Fans cite lubricants' continuing gains in a flat market. Whether deeper involvement in the difficult speciality chemicals business will pay off remains to be seen. But SHV's 9.1 per cent stake, which does not seem like a natural resting place for the Dutch company, will continue to prop up the share price. The market's 1990 forecasts range from £97m to £105m, giving a mid-point p/e of 10.7 per cent, about right for a steady, if unspectacular performer.

Alan Harper

Lawrence Urquhart (standing), chief executive, and John Maltby, chairman – looking for acquisitions in speciality chemicals

# London Forfaiting loses £8.8m on D-Mark exposure

By Peter Montagnon, World Trade Editor

LONDON FORFAITING suffered a pre-tax loss of £8.81m in 1989, compared with profits of £19.99m in 1988. The specialist trade finance company lost £2.3m in the second half, following a £6.5m deficit in the first six months.

An announcement yesterday that it was maintaining its total dividend for the year at 7.25p pushed its shares 10p higher to close at 79p after a nervous day's trading on the USM, during which they hit a low of 54p at one stage.

Mr Jack Wilson, chief executive, said the current year would be one of recuperation. "We believe the company's position will strengthen, particularly in the second half of the year."

Rising interest rates on the D-Mark, in which much of the company's fixed rate business is conducted, hit the company hard in 1989.

However, Mr Wilson said it had responded by reducing its forfaiting loan book, building up liquidity and hedging its interest rate exposure in the swap market. This had helped its second half result.

Forfaiting assets were slashed to £190.62m from £387.33m during the year, while holdings of cash soared to £279.75m from £34.75m. In the current year the company intends to concentrate on trading its loan portfolio, although it also expects to benefit from rising margins on forfaiting loans.

The amount paid in dividends for 1989 was unchanged at £7.25m, and there was a tax credit of £410,000 (charge of £4.67m), this left net assets down 15.65m at £105.1m.

Analysts said the shares were bolstered by the company's decision to maintain its dividend, but it would have to return to profitability if it was to maintain its dividend payment this year.

Though London Forfaiting is now heavily-provided against losses from a negative interest margin, windfall profits from any downturn in interest rates will depend on its ability to unwind its hedging operations promptly.

One bright spot, according to Mr Wilson, is the prospect of steep rise later this year in premiums charged by the Export Credits Guarantee Department. This could enhance the relative attraction of forfaiting finance to exporters as they do not need official export credit cover.

British & Commonwealth, London Forfaiting's main shareholder, has indicated that it would like to sell its 40 per cent stake, but Mr Wilson said he was unaware of any current negotiations in this respect.

## UK COMPANY NEWS

# TV-am advances 19% in spite of Channel 4 costs

By David Owen

TV-AM, the ITV franchise holder for breakfast television, raised pre-tax profits by 19 per cent from £20.13m to £24.04m for the year to January 31, despite carrying net costs of more than £4m arising from the Channel 4 breakfast programme.

TV-am sells the advertising for the Channel 4 Daily, but the approximately £5m that was added to revenues was more than offset by the £9.1m subscription.

Mr Ian Irvine, chairman, believed that TV-am could sell more advertising around the Channel 4 programme, which had recently been re-targeted at a young audience. Mr Bruce Gyngell, managing director, said the prayer for advertising revenues to offset the subscription was "part of our daily mantra."

Turnover, which was entirely accounted for by advertising receipts, was up 24 per cent at £80.83m (£65.26m). Excluding Channel 4, the group's share of total ITV revenues rose from an average of 4.06 per cent in 1988 to just under 4.5 per cent in 1989.

The company appears to have been less severely hit by the advertising downturn than most of the other ITV companies. For February, the group showed a year-on-year increase of 4.2 per cent in revenues (excluding Channel 4), against a decline of 10 per cent for the network.

A sharply increased final dividend of 8p (5p) is recommended, making a total of 10p (6.5p). Earnings per share climbed 18 per cent to 23.1p (19.6p).

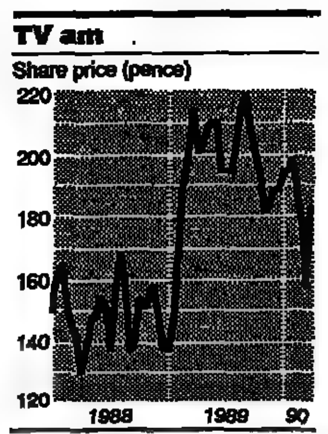
On the subject of Mr Kerry Packer's Television Corporation of Australia, Mr Irvine said TV-am was planning to make a "fairly minimal" A$10m (£4.6m) investment in the company if it succeeded in its bid for Mr Alan Bond's Bond Media, owner of the Channel Nine network.

"Channel Nine is potentially a very profitable television operation," Mr Irvine said. "The investment should return a reasonable amount."

Programming costs were held steady at £21.56m. Administration and selling costs, however, rose sharply to £16.19m (£12.2m).

Investment income more than doubled to £4.99m (£2.48m). The company said that cash-in-hand had reached £42m.

The shares rose 13p to 188p.




# Thames TV raises share of national advertising

A HIGHER Share of national advertising revenues enabled Thames Television, the largest independent television contractor, to report pre-tax profits of £26.35m for the nine months to December 31, writes David Owen.

The figure compares with £31.04m for the previous 12 months. Thames has changed its year end.

However, the company warned that advertising revenue was now falling short of levels achieved in the first quarter of 1989 at a time when the re-introduction of a revenue-based Exchequer levy is biting hard into disposable income.

There was an exceptional debit of £1.96m (£3.99m) relating to staff reductions and the reorganisation of working practices.

Turnover was £270.64m (£326.71m) of which more than £194m derived from advertising revenue, representing 15.7 per cent of the network total, against 15.21 per cent in the first half of 1988.

Earnings per share were 34.4p (40.7p). A proposed final dividend of 6.85p makes a total of 12p (15p).

In December, the group made a successful $89m tender offer for Reeves Communications, an independent US television production company. The company, now renamed Thames Television Inc, recently held its first board meeting under Thames' stewardship.

On the basis of this, Mr Richard Dunn, Thames managing director, said: "We have bought what we thought we were buying; there are no skeletons in the cupboard." The market for US syndication sales remains difficult, however, the company added.

# EHP to focus on personal care side after dive to £15.9m

By John Thornhill

EUROPEAN HOME Products, the retail and distribution company, suffered a severe drop in pre-tax profits in 1989 as it struggled in the face of consumer credit restrictions in Spain and Portugal and losses in its hosiery business.

Pre-tax profits fell to £15.91m (£24.28m), although turnover was 22 per cent higher at £388.84m (£318.48m).

EHP's shares, which fell sharply last year, yesterday shed 4p to close at 124p.

All three divisions experienced a fall in trading profits.

The contribution from the personal care division, which includes the Scholl range of products, fell to £16.15m (£18.92m) although the previous year's figure included a £2.7m advertising subsidy from Schering Plough, Scholl's former owner.

Earlier this month, EHP sold its Singer sewing business to International Semi-Tech Microelectronics for £47m. But during 1989 the division's operating profits slid to £3.23m (£9.46m).

Management problems at the hosiery businesses resulted in a trading loss of £1.78m (£1.1m). The Werner business was particularly badly hit and EHP is considering whether to sell or trim back the division.

EHP said it would concentrate efforts on its personal care businesses where there were considerable opportunities for growth.

Interest payments were substantially higher at £10.22m (£5.88m) and tax took £6.75m (£6.45m).

Earnings per share dropped from 29.2p to 12.1p. A final dividend of 3.5p has been recommended, which leaves the total unchanged at 6p.

# Smurfit expands US side with $95m acquisitions

By Maggie Urry

JEFFERSON SMURFIT, the Dublin-based paper and packaging group, has agreed to buy Golden State Newsprint and Pacific Recycling, based in California, for $95m (£58.3m). A further $25m will be due if Smurfit decides to build a second recycled newsprint machine.

The vendor is Giant Group of Beverley Hills, which has interests in cement, waste disposal and fast food restaurants.

Golden State operates a 135,000 tonne a year recycled newsprint mill at Pomona, California, and Pacific has 10 waste paper reclamation depots processing 152,000 tonnes of waste paper a year.

In 1989, Golden State made pre-tax profits of $8m. The book value of assets being acquired is $62m.

The acquisitions are part of Smurfit's strategy of expanding in the US newsprint industry. Pacific would ensure a supply of waste paper for newsprint and other Smurfit products. Smurfit also makes corrugated case materials.

Recycling has become an important issue in the US with states beginning to impose minimum recycling levels on paper makers.

# Era chief defends decision to sell Lexterten offshoot

By Nikki Tait

AS THE battle over Era Group's proposed sale of its loss-making Lexterten subsidiary intensifies, Mr Murray Gordon, Era's chairman, has defended the decision to part with the business.

In a letter to shareholders, he says that the board's view "is that to retain Lexterten would require shareholders to continue to bear further losses within Lexterten which would seriously undermine the earnings achieved by the other parts of the group and drain the group's cash resources".

He acknowledges that a consortium lead by Mr David Llewellyn, who founded and formerly ran Lexterten, offered to buy the business, but says that alternative discussions with the management buy-out team were at an advanced stage by then. He maintains that the Llewellyn consortium did not have the necessary funds to complete the acquisition.

That, retorted Mr Llewellyn yesterday, was not the complete picture. He claims that he was given only three days to complete a deal, and that his advisers were denied access to Lexterten recent records and current management.

Mr Llewellyn has already suggested that it would be preferable if Lexterten could be kept within Era under his "proven" management, or "if the worst came to worst" that he could conduct a more advantageous realisation of Lexterten's assets. The board wants to sell it to management for £1, plus the assumption of sizable debt.

With both sides currently canvassing institutional support, the matter will come to a head next week when an egm has been called to vote on the disposal. As a separate issue, Mr Llewellyn has also called for further egm to appoint three new directors to the Era board.

# Radius at £2m after £0.5m provision

Radius, the USM-quoted computer systems group, saw a shortfall in profits in the year ended November 30 1989. That was exacerbated by an exceptional debit which meant the overall pre-tax balance fell from £2.9m to £2m.

Turnover advanced to £28.63m (£17.73m). Earnings were 4.74p (8.71p). The final dividend is 1.9p to maintain the total at 2.65p.

Directors said they were confident of the group sustaining a good level of profitability, but were hesitant in suggesting that it would significantly increase in the current year.

The exceptional debit of £503,000 related to a provision in the current year for cost overrun on a major software contract.

# Pall Mall bid extended

By Nikki Tait

PALL MALL Properties, which on Wednesday raised its bid for Laing Properties from £441m to about £492m, yesterday extended the offer to April 12, "day 59" of the offer period. In theory, the bid could be extended for a further 24 hours, although there may be little point given that April 13 is Good Friday.

Pall Mall – which is the vehicle for a joint bid from Peninsular & Oriental Steam Navigation and Mr Elliott Bernerd's privately-owned Chelsfield group – also confirmed that it currently controls 30.43 per cent of its target's ordinary shares.

Acceptances at March 28 – and, therefore, ahead of the increase in the offer – covered a mere 0.22 per cent of Laing's equity, and the remainder comprises shares actually owned by Pall Mall. Laing shares eased 2p to 658p yesterday, way below the 725p per share bid now on the table.

# 62% increase to £2.7m at Citygrove

Citygrove, the edge-of-town retail, leisure and roadside property developer, lifted pre-tax profits from £1.65m to £2.67m in the year to November 30 -a rise of 62 per cent.

Turnover soared to £141.71m (£55.89m). Earnings per share advanced to 11.7p (4.1p) basic and 13.3p (7.4p) fully diluted. There is no final dividend, so the pay-out for the year is 8p (7.5p).

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

**TODAY**

Interims- Adwest, Tottenham Hotspur.
Finals- ATA Selection, Aitch, Blackwood Hodge, Fairhaven International, Goal Petroleum, Guidehouse, Lincoln House, Pearson, Triplevest.

**FUTURE DATES**

| | |
|---|---|
| **Interim-** | |
| British Empire Sec & Gen | Apr. 20 |
| **Finals-** | |
| Associated Fisheries | Apr. 5 |
| Austin Reed | Apr. 17 |
| Borland International | Apr. 16 |
| Herring Son & Daw | Apr. 3 |
| Hewden-Stuart | Apr. 11 |
| Morgan Crucible | Apr. 9 |
| Ross Group | Apr. 3 |



## LEGAL NOTICES

No. 001905 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
SWADDLERS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's Court of Justice on 12th March 1990 for the confirmation of the reduction of the capital of the above-named Company from £23,000,000 to £14,162,000 is directed to be heard before the Honourable Mr. Justice Warner at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 9th day of April 1990.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

DATED this 28th day of March 1990

Mackenzie Mills of 76 Shoe Lane, LONDON EC4A 3BQ

Solicitors for the above-named company.

NOTICE TO CREDITORS
GARTMORE INFORMATION AND FINANCIAL TRUST PLC

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required, on or before April 20, 1990 to send their names, addresses and particulars of their claims to the undersigned, Margaret Elizabeth Mills, of Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, the liquidator of the said company, and, if so required by notice in writing from the said liquidator, are personally or by their solicitors to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such claims are [illegible].

March 19, 1990

M E Mills
Liquidator.

No. 00 983 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr. Justice Warner
Monday the 12th day of March 1990
IN THE MATTER OF GREEN'S (WEST END) LIMITED
and
IN THE THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 12th day of March 1990 confirming the reduction of the Share Premium Account of the above-named Company by £860,409 was registered by the Registrar of Companies on the 20th day of March 1990

Dated this 28th day of March 1990

SPEECHLY BIRCHAM
Bouverie House
154 Fleet Street
London EC4A 2HX

Solicitors for the above-named Company

CITY OF MONTREAL

3% PERMANENT DEBENTURE STOCK
NOTICE IS HEREBY GIVEN that the Transfer register will be closed from 18th October to 31 October 1990 both dates inclusive
THE ROYAL BANK OF SCOTLAND Plc

Registrars
Registrar's Department
28 Gresham Street
London EC2V 7HN

## COMPANY NOTICE

Notice to the Holders of
EUROPEAN INVESTMENT BANK
Italian Lira 150 Billion
Floating Rate Notes Due 1996

Coupon no. 5 due from 30th March 1990 to 28th September 1990 will be payable from 28th September 1990 at the rate of 13 1/8%.

Itl.330.191 per Itl. 5.000.000.- Nominal
Itl.3.301.910 per Itl. 50.000.000.- Nominal

Banco di Napoli International S.A.
Luxembourg
Reference Agent Bank
30th March 90

## COMPANY NOTICES

ANGLOVAAL LIMITED

(Reg. No. 05/04580/06)
Registered in the Republic of South Africa

NOTICE OF CLOSING OF REGISTERS

Notice is hereby given that the transfer registers of the holders of ordinary shares and N ordinary shares will be closed for the purposes of determining those shareholders entitled to participate in the rights offer of N ordinary shares to made by the company and to receive the final dividend to be declared by the company in respect of its financial year ending 30 June 1990. Accordingly, the relevant transfer registers will be closed from the close of business on Thursday, 12 April 1990 until the close of business on Friday, 20 April 1990.

By order of the Board
Anglo-Transvaal Trustees Limited
London Secretaries
per: D. Adams

London Secretaries
295 Regent Street,
London W1R 8ST

29 March 1990

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)

TORONTO GREY & BRUCE RAILWAY COMPANY

Copies of the Balance Sheet of the above Company as at December 31 1989 are available and may be obtained from this office during normal business hours

D.R.KEAST
Deputy Secretary
62-65 Trafalgar Square,
London WC2N 5DY.

March 25 1990

The United Mexican States
Floating Rate Bonds Due 2005
from the
New Money Bond
Subscription Agreement
Dated as of February 4, 1990

For the period from and including March 28, 1990 to and excluding September 28, 1990, the Rate of Interest is 9 1/8%, the Interest Amount (per U.S. $1,000) is $48.56 and the Interest Payment Date is September 28, 1990.

CITIBANK, N.A., as Agent Bank

March 30, 1990





Notice of Interest Rates

To the Holders of

# The United Mexican States Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from March 28, 1990 to the respective interest payment dates are detailed below:

| Series Designation | Rate | Interest Amount | Interest Payment Date |
|---|---|---|---|
| USD Discount Series A | 9.53125 Pct. P.A. | U.S. $ 53.22 Per U.S. $1,000 | Oct. 15, 1990 |
| USD Discount Series B | 9.53125 Pct. P.A. | U.S. $ 57.19 Per U.S. $1,000 | Oct. 30, 1990 |
| USD Discount Series C | 9.5625 Pct. P.A. | U.S. $ 61.63 Per U.S. $1,000 | Nov. 15, 1990 |
| USD Discount Series D | 9.5625 Pct. P.A. | U.S. $ 65.61 Per U.S. $1,000 | Nov. 30, 1990 |
| CAN Discount Series | 14.0208 Pct. P.A. | CAN $ 90.36 Per CAN $1,000 | Nov. 15, 1990 |
| DGU Discount Series | 9.6875 Pct. P.A. | DFL 108.18 Per DFL 2,000 | Oct. 15, 1990 |
| DMK Discount Series | 9.6875 Pct. P.A. | DMK 71.04 Per DMK 1,000 | Dec. 17, 1990 |
| FFF Discount Series | 11.5000 Pct. P.A. | FF 394.51 Per FF 5,000 | Nov. 30, 1990 |
| YEN Discount Series | 8.5625 Pct. P.A. | Y 7,706.00 Per Y 150,000 | Oct. 30, 1990 |

March 30, 1990.

CITIBANK, N.A., Agent

## UK COMPANY NEWS

# A weighty industrial indicator

**Paul Cheeseright** on how Slough will weather the current climate

SLOUGH ESTATES, one of the big five property investment groups and the largest private sector industrial property company in the UK, yesterday announced a 21.5 per cent increase in net asset value per share for 1989.

But there is unlikely to be such a large increase during the current year. Like other property groups, Slough is operating in an increasingly uncomfortable environment. This year, according to Sir Nigel Mobbs, chairman, "will be a harsh year for British business beset by high interest rates and extra costs."

To some extent the performance of Slough is a monitor of the British industrial sector. When that sector is uncertain, the effects spin off on Slough. When it is prosperous, Slough follows in its wake.

The stock market, of course, has been awake to the uncertainty for several months and has been inclined to leave Slough and other major property groups well alone, unless there is scent of a takeover bid.

So yesterday, the Slough share price rose 1p in a sluggish market to 275p. Assuming that the group's growth slows this year and the 1990 outcome is a net asset value of about 495p per share, the price stands at what has become familiar for large property groups – a discount of more than 40 per cent.

But Slough, because of its long history – the fortunes of the company were established on the industrial estate at Slough, west of London, before the Second World War – and the security of its financing has the weight to withstand short-term economic fluctuations.

With total assets, excluding cash, of £2.3bn, net borrowing of £704m and gearing of 34 per cent, it does not fall into the category of the vulnerable property development companies.

Sheer size means that although the property market is turning down, the years of the heady rises in the industrial sector – from late 1987 to early 1989 – have still to work through into the group's books. The market has been running ahead of the property portfolio.

In the 12 months to last December, Slough made pre-tax profits of £87.3m compared with £75.1m in 1988, producing fully diluted earnings per share of 21p against 18.3p. But the main constituent of its revenue is the income that derives from property investment, being the rents of properties in the portfolio. Last year that was £89.8m (£75.5m).

Sir Nigel Mobbs: "Not for many years has there been so much uncertainty."

With rent reviews coming every five years, there are many assets which are still not drawing in the income that reflects the rise in industrial property values of the late 1980s. Slough said that "at the end of the year, estimated rental values (what would be obtained if empty premises could be re-let) were 43 per cent higher than rents passing." So, short of economic catastrophe, there is more rental revenue growth in prospect.

But because capital values have flattened out since last summer and yields on property investment have widened, the worth of the Slough asset base will grow more slowly. The performance of the market is leading the way.

The latest figures from the Investment Property Databank's monthly index show that total returns from industrial property – a measurement of rental and values – were 24.2 per cent in the year to February compared with 47.1 per cent in the year to February 1989.

This reflects the influence of diminishing business prospects in the economy at large which flows through, as Sir Nigel explained, into a slowing of demand for space at a time of increasing supply, and the subsequent slowness of rental growth and a slowing of value growth.

Slough's defence for the coming year is a consequence of its size: a concentration on the existing estate and a promise of careful management of the balance sheet. It has the strength to turn inwards and sufficient diversity abroad to counter the domestic cycle. But it will still spend £400m over the next three years on development in the UK and abroad.

## NEWS DIGEST

### Second half boost for Dauphin

WITH THE help of benefits from substantial reorganisation and development work, Dauphin finished 1989 with an 11.5 per cent growth in pre-tax profits.

Second half profits were 20 per cent higher than the first, according to Mr Alec Waddicor, chairman of this office seating and specialist engineering group. The year's total came to £4m (£3.6m) on turnover of £21.24m (£16.42m).

Earnings improved to 12p (11.01p). The total dividend is raised to 4.8p (4p) with a final of 3.3p.

### Capital and Reg seeks acquisitions

The sale of the Corn Exchange, Manchester, for £3.1m pushed up annual taxable profits at Capital and Regional Properties from £1.1m to £3.86m and net assets per share surged from 165.26p to 201.73p. The USM-quoted commercial property investment company is on the look out for acquisitions.

The directors are raising the final dividend to 0.6p (0.4p), making a total of 0.9p (0.6p) for the year to December 25 1989. Earnings per share rose from 8.76p to 29.23p. Since the year-end the company has acquired the outstanding 50 per cent of Capital & Regional (Victoria).

### Willaire at £3.33m in line with forecast

Willaire Group announced pre-tax profits of £3.33m for 1989 compared with £3.05m previously.

The result was in line with the profit forecast issued on November 23 at the time of the announcement of the acquisitions of PP&F, Cygnet and BATS. The results do not include any contribution from those acquisitions.

Willaire is involved in the manufacture of air control and refrigeration products, microcomputer systems, television tubes, and laminated services.

As forecast, a second interim dividend of 0.51p is declared.

Sales totalled £19.49m (£25.16m). The taxable result was after interest payments of £357,000 (£249,000).

The company has changed its year-end to April, and the next results will accordingly be for the 16 months to April 30 1990.

### Town Centre builds advance to £2.4m

Town Centre Securities, a property investment and development concern, raised pre-tax profits by 15 per cent from £2.09m to £2.41m for the six months to December 31 1989.

Gross rental and investment income reached £6.27m (£5.6m). After tax of £843,000 (£730,000) earnings per 25p share were 1.63p (1.43p). The interim dividend is stepped up from 0.6p to 0.75p.

Directors said that given the nature of the property market at the present time, it was unlikely there would be any significant transaction in the rest of the current year.

### EW Fact rises 24% and pays first final

EW Fact, the USM-quoted group which is engaged in the tuition and publication of texts for students preparing for professional examinations, raised pre-tax profits from £552,000 to £685,000 in 1989 – an improvement of 24 per cent.

Turnover moved ahead to £3.27m (£2.5m), though administrative expenses climbed sharply to £1.03m (£652,000), curbing the rise in operating profits to £544,000 (£481,000).

The proposed maiden final dividend of 2.5p will make a pay-out of 3.5p for the year. Earnings slipped to 8.64p (9.92p) per share.

### Acquisitions help Brooks Service

A useful contribution from six recent acquisitions helped Brooks Service Group, engaged in textile care and rental services, to a near 11 per cent increase in pre-tax profit for 1989.

On turnover up £4m to £21.88m, profits rose to £2.33m, against £2.11m for the previous 53 weeks, after a substantial increase in interest charges.

Rental services covering hotels and restaurants pushed up their profit contribution by 20 per cent, but in the retail shops the prolonged hot weather altered shopping habits to garments easily washed at home, and profitability was reduced.

Earnings came out to 13.4p (12.7p); the dividend is lifted to 5.75p (5p) with a final of 3.91p.

### Cautious Melville improves 22%

Melville Group raised first half profits by 22 per cent, but warned that the second half might be affected by the sale of the engineering division, which traditionally made its biggest contribution.

The advance this time, from £2.57m to £3.14m, was achieved on turnover down from £55.90m to £53.76m.

The company, which operates in building services, construction and engineering, said the core activities continued to fare well. The interim dividend is raised to 1.8p (1.5p) on earnings per share of 5.26p (5.08p).

### Loss at Molyneux but assets rise

Molyneux Estates, the commercial property investor which came to the USM in June last year, yesterday announced a deficit of £149,000 in the six months to December 24.

However, over the period net assets rose from £10.87m to £14.11m, equivalent to 77.7p per share. The property portfolio, including the 50 per cent stake in Overgate Centre, totalled £30.4m (£12.8m).

Mr David Lewis, chairman, said the loss reflected the current high level of short term interest rates prior to the group's re-financing of part of its borrowings at lower fixed-term rates.

### Chestergate litigation

The vendors of Gilken Contracts are suing Chestergate Group, its chairman Roger Taylor and managing director Nick Hayes for damages for libel contained in their announcement of Chestergate's results for the year ended October 31 1989 (FT March 10).

Chestergate attributed its pre-tax losses to the losses of Gilken Contracts and said that it was taking legal action against the vendors of Gilken for the recovery of monies paid to them following the substantial over-valuation of Gilken at the time of acquisition.

In fact, they have brought a counterclaim in proceedings started by one of the vendors against Chestergate in July 1989 seeking damages for wrongful dismissal.

Chestergate's allegations as to the over-valuation of Gilken are strongly denied and their counterclaim is being vigorously defended.

### Caldwell board under threat

By David Owen

A dissident shareholder group headed by Mr Robert Cory, a Manchester-based property developer, intends to press for the removal of Mr Stanley Wootliff and all other directors from the board of Third Market-quoted Caldwell Investments.

In a letter to shareholders, Mr Cory – who owns and controls about 100,000 Caldwell shares – stated his intention to convene an egm "as soon as possible" to pursue this end.

Caldwell last month reported after-tax losses of £526,000 for the 16 months to October 31. From 22p prior to this announcement, the shares have slid in recent weeks to 13p.

### Thurgar Bardex returns to profits

Thurgar Bardex, the Kettering-based maker of plastic windows and doors, returned to profits in the second half. After an interim loss there was a taxable profit for 1989 of £124,000, against £1.7m.

The company said that action taken to reduce losses was costly, resulting in an extraordinary charge this time of £1.24m. Borrowings had been cut during the year by £3m to £9.4m, but too late to avoid an interest charge of £1.87m (£984,000).

Turnover was £5m higher at £42.17m. After tax of £3,000 (£596,000) earnings per share came out at 0.58p (3.95p). A maintained final dividend of 1.65p is proposed for an unchanged total of 2.5p.

# UK COMPANY NEWS

## Hoesch acquires Carclo offshoot

By Clare Pearson

HOESCH, the West German steel and engineering group, has emerged as the buyer of the spring-making activities of Carclo which the diversified engineering group put up for sale at the beginning of the year.

Hoesch Hohenlimburg, a subsidiary of Hoesch, is paying a *consideration of £21.6m plus* or minus the amount, if any, by which the net asset value of the business, Woodhead Springs and Forgings, exceed or fall short of £9.74m.

The price was broadly in line with expectations. Carclo's shares closed 2p higher at 122p following yesterday's announcement.

The Woodhead division, which includes some smaller other parts as well as springs and forgings, made operating profits of about £2.1m in the year to end-March 1989. But its profits fell by 55 per cent to £594,000, on a 15 per cent increase in turnover to £25m, in the six months to end-September.

The division was responsible for a fall in group pre-tax profits of Carclo, which also has interests in card clothing, wires and general engineering, from £4.33m to £3.96m during that interim period.

It is thought to be the leading automotive spring manufacturer in the UK. But Carclo was concerned that only with a major capital expenditure programme was it likely to be able to meet the growing demand from manufacturers for single sourcing of components throughout the world.

There has been technical co-operation between Hoesch Hohenlimburg and Woodhead Springs and Forgings since the middle 1960's.

Carclo is reviewing the future within the group of the residual parts of the Woodhead division which was formed as a fourth leg to the business when the company acquired Jonas Woodhead & Sons in November 1986.

The disposal will leave Carclo, which was nearly 39 per cent geared at the end of September, with about £10m in net cash. It intends to use the funds to develop the existing remaining engineering businesses possibly through acquisition.

Mr John Ewart, chairman, said yesterday that there were no deals due to be announced imminently.

## Specialist gold fund planned with capital of up to £300m

By Nikki Tait

IN ONE OF the largest launches seen in recent times, the investment trust sector is set to get its first specialist gold fund.

James Capel, the stockbroking firm, is teaming up with Robert Fleming, the investment bank, to form Gold Investment Trust. Shares are expected to *start trading* towards the end of April.

Institutional presentations are still underway and the size of the trust has not yet been fixed. However, according to Capel and Fleming, the minimum amount of money raised will be £100m, and there are hopes that it could be as high as £300m.

The aim of the new fund, according to Mr Julian Baring, who already manages the Capel Gold & General unit trust and will be a director of Gold Investment Trust, is to *offer some replacement for* Consolidated Gold Fields, the mining investment company which was taken over by Hanson for £3.5bn last summer.

He said that institutions, wishing to invest on gold's fortunes, habitually used Gold Fields as a liquid and readily marketable investment vehicle.

The trust will have closed-end status because of the managers' desire to be able to hold gold bullion directly if the trust wished, and to avoid flows of money in and out of the fund.

The investment managers conceded that volatile sentiment over the gold price could bring swings in the discount or premium to net assets at which the shares traded. However there are the usual measures designed to limit a serious discount problem developing.

The issue will be in the form *of ordinary shares* with "free" warrants attached, in the traditional ratio of one warrant for every five shares. And shareholders will have the option of winding up the trust after seven years.

The fund will invest in a spread of gold mining companies in all the main gold-producing countries. Canada and South Africa may each account for between 15 per cent and 40 per cent of the portfolio with the US between 10 per cent and 30 per cent and Australia between 5 per cent and 20 per cent.

Gold bullion holdings could be up to 15 per cent.

The plan is to have three quarters of the shares involved in the issue firmly placed, with the remaining 25 per cent for sale.

The fund will be managed by Flemings, with James Capel acting as investment adviser. The annual charge on the fund will be 1.3 per cent. Listing particulars are expected to be published on April 10, and dealings should start on April 24.

## James Wilkes leaps 90%

Taxable profits at James Wilkes, the broadly-based manufacturer of consumable and engineered products, leapt 90 per cent, from £1.32m to £2.5m, in 1989. Turnover more than doubled, from £9.16m to £21.13m.

During the year Wilkes acquired Avon Transmission Services, Floform and the beermats business of Smurfit Cartons. January's £11.5m offer for Easterbrook Allcard, a twist drill maker, is currently held up with legal complications.

Earnings improved to 20.3p (18.4p) and the dividend is lifted to 9p (7.75p) via a proposed *4.75p (4.25p) final*.

## Macfarlane up 27% to £9.3m

By James Buxton, Scottish Correspondent

MACFARLANE GROUP (Clansman), the Glasgow-based packaging company run by Sir Norman Macfarlane, former chairman of Guinness, yesterday announced a 27 per cent pre-tax profits increase, from £7.32m to £9.26m, in 1989.

Sales rose by 14 per cent to £97.63m (£85.44m).

Sir Norman said that the results reflected "many years *of careful planning* and strategic investment" in the group which employs 1,800 people at 40 locations mainly in the UK. Most of the companies in the group performed well, he said.

In spite of the economic downturn he thought that the economic environment would produce suitable investment opportunities which the group would pursue. Last year it expanded overseas for the first time with purchases in France.

The packaging division had an "unrivalled" network of manufacturing units and distribution depots, Sir Norman said. It had bought Paris Fibre, a packaging company based in the French capital. The plastic moulding division had secured important contracts in the toiletries and detergents industries.

The marking products division, he said, was the leading maker of such products in the UK. It had bought TMP, a small company based in Biarritz and Paris. The development division, which includes self-adhesive products and specialist printing, had improved its results and taken over Slough-based Adhesive Labels.

Earnings per share were 18.2p, up 27 per cent, and a recommended final dividend of 3.2p makes a total dividend of 5.5p (4.35p). A one-for-two scrip issue is also proposed.

## Headlam dispute continues

*THE DISPUTE* over the future of Headlam group, the small Northampton-based footwear and fabrics company, has generated another circular to shareholders.

The company, which is fighting proposals for the appointment of four new board directors and the removal of the current chairman and deputy chairman, has defended the sale of its loss-making Cotton Oxford subsidiary as "right for Headlam."

If the existing board succeeds in resisting the board changes – to be voted on at an egm on April 4 – it plans to propose the reverse takeover of Cadogan Oakley, which owns certain industrial interests within Lord Chelsea's Cadogan Estates business.

The board has also dismissed suggestions that Mr David Haggett, deputy chairman, was prepared to voluntarily relinquish his duties as a director and claimed that the price it would be prepared to pay for Cadogan Oakley would be related to the achievement of profits in both 1989 and 1990 and did not represent "a substantial premium to comparable companies."

The dissidents want to follow their board changes with expanded use of Headlam's distribution network and, possibly, acquisitions.

## Difficult housing market bites at Gibbs and Dandy

THE DOWNTURN in the domestic housing market resulted in reduced profits at Gibbs and Dandy, the building, engineering and electrical distributor, in 1989.

On turnover of £24.73m (£24.19m), pre-tax profits tumbled to £172,000 (£913,000).

However, an improved second-half gave directors confidence to pay a dividend of 2p for the year, after passing the interim. This compared with a total of 2.75p in 1988, of which 1p was an interim.

In current conditions it was very difficult to make even a short-term forecast, said Mr John Dandy, chairman.

While he did not believe that 1990 would see a return to the profit levels of earlier years, a rise over 1989 was expected.

The second half of 1989 produced a 5.5 per cent increase in turnover and 67 per cent advance in operating profit, when compared with the opening six months. That was due partly to inflation, but also cost control and a further reduction in the numbers employed.

Gibbs also announced the *exchange of contracts to* acquire the two David Smith Building Centres at St Ives and St Neots, Cambridgeshire, for £750,000 cash.

## Storm beats its forecast by 42%

STORM GROUP, creator of the children's cartoon series 'The Shoe People,' turned in pre-tax profits of £24,000 for the six months to December 31 1989, some 42 per cent higher than the forecast made when the company joined the USM in December.

The result compared with a loss of £8,000 for the previous 12 months ended June 30 1989. Turnover for the period was £272,000 (£403,000 for 12 months) and earnings per share came to 0.07p (0.02p loss).

The company announced a breakthrough into the Soviet Union, where The Shoe People would be the first western cartoon series to appear on network television. Also, a contract had been *signed* to publish 8m Shoe People story books in that country, with sales expected to commence in the second half of this year.

NEWS DIGEST

## Dean & Bowes doubles

*BOTH ORGANIC* growth and acquisitions were behind the doubling of pre-tax profits at USM-quoted Dean & Bowes in 1989.

On turnover raised 99 per cent from £13.46m to £26.72m, the taxable outcome was £2.85m, against £1.38m last time.

Moreover, Mr Stephen Dean, chairman, said that in spite of the general economic climate, the company, which designs and refurbishes licensed premises, hotels and leisure centres, had started 1990 with firm contracts in excess of £17m.

The leisure industry was generally creating demand for the company's services, although the brewing industry was more hesitant in the light *of the Monopolies & Mergers* Commission report.

Dean & Bowes acquired Turnpin Contracts (Interiors) last April and The Chequers Group and Pannell Signs in December. All three contributed to the profits growth.

Earnings per share came out at 14.2p (11.3p) or 13.4p (10.8p) fully diluted. A proposed final dividend of 3.25p raises the total to 6p (5p) for the year.

### Plasmec reports dip to £664,000

Reduced sales and profits for 1989 were yesterday reported by Plasmec. However, net available profit was ahead and shareholders are to receive a bigger dividend.

The USM-traded group makes products in telecommunications and switching, injection moulded components, electronic and mechanical systems, *and luxury gift products*.

Sales were £10.48m (£10.7m) and pre-tax profits £664,000 (£793,000), struck after exceptional costs of £113,000 relating to securing a major contract with *Littlewoods Pools*, explained Mr John Crosse, chairman.

Earnings dipped to 9.6p (10.5p). An extraordinary net profit on sale of surplus land brought in £306,000, and the dividend is raised from 4.2p to 5p with a final of 3.2p.

There was a significant reduction in borrowings and an increase in shareholders' funds, resulting in capital gearing improving from 57 to 22 per cent.

### Second half limits Fitch-RS to £3.7m

Fitch-RS, the design consultant and architect, experienced a slowdown in the second half of 1989, and pre-tax profit for the year only improved from £3.52m to £3.71m.

That followed a first half surge of some 40 per cent to £2.05m. The interim dividend was increased by 0.5p, but that is being lopped off the final, now 6p, to leave the total unchanged at 9.5p.

Mr Rodney Fitch, chairman, said the difficult UK trading conditions continued into the current year. Steps had been taken to contain the cost base, *while still developing the business* in continental Europe and America where the conditions were not as prevalent.

Turnover advanced to £25.82m (£19.16m). Operating profit dropped to £3.2m (£3.56m) and interest charges rose to £197,000 (£107,000), but those setbacks were cushioned to a large extent by a lift in investment income from £162,000 to £706,000.

### Contl Microwave recovers to £126,000

Continental Microwave (Holdings), the USM-quoted manufacturer of communications equipment, announced first half pre-tax profits of £126,000, compared with a £26,000 loss last time.

Deliveries to the defence sector had been low during the six months to December, Mr David Young, chairman, said, but order intake had produced sec*ond-half sales* at a near normal rate. Group sales totalled £10.41m (£8m).

Mr Young said that part of the group's US activity, Micronics Technology, had disappointed, and a management buy-out was being negotiated there to remove the possibility of further losses.

He expected the year as a whole to show an improvement on last time's £602,000.

There were reduced losses per share of 0.9p (2.3p), or earnings of 0.7p (0.4p losses) fully diluted. The interim dividend *is maintained at 1.1p.*

### Colroy wary after mid-term decline

Colroy, a regional housebuilder, has seen reduced interim profits and does not expect the full-year figure to reach the £4.37m achieved in 1988-89.

In the six months to January 31 1990, turnover fell to £8.36m (£8.42m) and profits to £1.13m (£1.38m). Earnings were 8.29p (10.04p), but the interim dividend is stepped up to 2.25p (2p).

Mr Jonathan Jacobs, chairman, said sales in the north-west eased, but reserva*tions there and in the east Mid*lands continued at an "acceptable level". The average sale price per house was £81,000, against £67,000.

In spite of tight controls some increases had to be absorbed, Mr Jacobs said, and he cited the charge by the privatised Water Authorities which would mean a rise in costs equal to 1 per cent on the average selling price of each unit.

### Jeyes cleans up with 49% gain to £2.4m

Jeyes Group, the Norfolk-based manufacturer of cleaning and hygiene products, lifted pre-tax profits 49 per cent to £2.36m in 1989, *slightly ahead of the* £2.1m forecast at the time of the rights issue.

The increase from £1.58m was struck on turnover up 23 per cent to £44.63m (£36.23m). The taxable outcome was lifted by an exceptional credit of £195,000 (nil) which related to a change of accounting procedures for depreciation.

The USM-quoted company said that the expansion in sales was led by a successful year overseas, with export sales rising 49 per cent.

Since November's three-*for-10 rights issue*, gearing has been reduced from 45 per cent to nil.

Earnings worked through at 16.2p (15.1p) per share and a final dividend of 2.8p is recommended for a total of 4.7p (0.9p).

### Druck static after increased overheads

A slow start, together with increased overheads, meant Druck Holdings improved pretax profits only marginally, from £1.59m to £1.6m, in the half year to December 31.

Turnover of this USM-quoted maker of electronic pressure measuring devices was up from £7.7m to £8.5m. Orders received rose 20 per cent and the upward trend had continued into the second half, said Mr John Salmon, chairman.

Tax was higher at £641,000 (£616,000) mainly because of an increased proportion of overseas profits, and earnings fell to 14.6p (15.1p). The interim dividend is raised to 2.6p (2.5p).

### Portmeirion shows advance to £2.78m

Portmeirion Potteries (Holdings) yesterday announced taxable profits of £2.78m for the year to December 31 – an increase of some 62 per cent in the first full year of trading since its flotation in 1988.

Mr George Hesp, managing director, said "Increased pottery production, together with the introduction of enamelled steel, cutlery and additional textiles into the Portmeirion range have led to the substantial increase in sales." Turnover totalled £12.95m (£9.81m).

Interest charges dipped from £227,000 to £83,000. Earnings per 5p share worked through at 18.29p (14.92p) and a proposed final dividend of 4.3p makes a *total* of 6.1p for the year.

COMPANY NEWS IN BRIEF

BROADCAST COMMUNICATIONS, a third market traded company, raised taxable profits 40 per cent from £193,000 to £270,000 on turnover of £2.85m (£2.29m). Earnings per share came through at 5.33p (4.07p).

GESTETNER has received acceptances in respect of 94.45 per cent of the 37.22m stock units offered by way of rights to qualifying shareholders at 180p each.

INCHCAPE and Toyota Motor Corporation have signed the formal agreement for long term distribution arrangements of Toyota's vehicles in the UK.

PAVILION LEISURE has agreed to form a joint venture with LET Leisure, part of London and Edinburgh Trust, to develop a £50m 620-site in France into a leisure and residential complex. A private Tokyo-based company, the Blue Chip Group, is taking a *one third interest in the devel*opment.

RANK ORGANISATION has signed an agreement with Cineplex Odeon Corporation to acquire the balance of 51 per cent of the Film House motion picture film processing laboratory in *Toronto* for a cash consideration of $40m (£24.69m). Rank has held a 49 per cent interest in Film House since January 1989.

SHELTON (MARTIN) *Group* has acquired Daines & Hathaway, a manufacturer of leather goods, for £200,000 cash. Daines & Hathaway profits for the year to January 31 last are esti*mated* at £30,000 on turnover of £300,000.

UNITED NEWSPAPERS is acquiring the Computer Security Institute for $5m (£3m) cash. The institute provides services to computer professionals.

# FINANCIAL TIMES SURVEY

After a decade of growth, the market research industry hopes that its contribution to corporate profitability will see it through any downturn. Yet as **Antony Thorncroft** reports, the approach of 1992 is likely to keep many companies busier than ever

# MARKET RESEARCH

## Encouraging feedback

THE market research industry in the UK is in surprisingly good heart. A national economy declining to negligible growth this year, and advertising, Big Brother to research and traditionally an important buyer of its skills, in even deeper trouble, would suggest an end, at last, to 10 years of steady expansion in market research turnover.

Companies tend to commission research when they are optimistic and expansion minded, and slice it from their expenditure, as an easy cost saving, when their profits are threatened.

But the decade of growth seems to have established research as a vital component in the marketing plans of British industry, as an essential supplier of data on which to make investment decisions in bad times as well as good.

The accuracy with which research companies managed to predict such events as the Mid-Staffordshire by-election in the UK is very good publicity for its talents, even though political polling only accounts for around 3 per cent of research turnover, even in a general election year.

According to the Association of Market Survey Organisations (Amso), a body representing 32 of the largest research companies, accounting, in volume, for two thirds of UK research, turnover increased by 16.3 per cent last year, to £238.6m (making research in the UK a £360m business). However, for 1990 Amso members expect a substantial contraction, to around 10 per cent, which in real terms means marginal growth.

The area likely to be most affected is the small band of qualitative research companies who rely heavily on the testing of new TV commercials, and other advertising work, for their revenue. This sector has already suffered badly and no relief is in sight. Still, Amso members only depended on advertising research for £13.1m of their total revenues in 1989 – up 7 per cent on the previous year, but with a fall in the past three months.

However, there is still the tendency for companies to freeze planned research projects when they face a financial crisis. This happened to retailers, and research undertaken by this sector fell by 8 per cent last year.

Delving deeper into the figures (and market research is naturally flush with data on its own activities) it is apparent that research in the UK will actually fall this year in real terms, with expansion coming from the overseas activities of UK-based research companies.

International work has become the driving force for many research companies. London is the natural European base for most of the US multinationals and acts as the conduit for pan European research assignments.

The approach of 1992 has given a boost to such commissions as US companies begin to realise that here is a market place, 400m strong, which they must know more about before the can sell to it. There is also the need to test out multinational brands and advertising campaigns.

Last year international research by Amso members climbed by 31.7 per cent to £35.9m, and another 30 per cent uplift is anticipated in 1990. In addition there is extra business from European companies investigating the UK market. In all, this should ensure that most research companies get through the year painlessly.

The UK is still acknowledged as the leader in Europe of market research and although profit margins from surveys on the continent tend to be lower than from domestic activities (mainly because they often have to be shared with local European partners), the industry is well placed to take advantage of the open market after 1992.

Apart from the creative skills of British researchers the companies involved have been subject to an unparalleled spate of takeovers in recent years and the leaders are now subsidiaries of well-financed corporations.

In the beginning – a generation ago – research companies tended to belong to advertising agencies who often gave away research to big clients. Then, in the early years of the 1980s boom, the companies flirted with public quotations, or became milch cows for their owners. Now the wheel has almost turned full circle and a new breed of advertising agency, namely Mr Martin Sorrel's WPP, has become the biggest force in research.

The two largest research companies, AGB and Nielsen, still reign supreme, mainly because the bulk of their business comes from continuous research studies for clients which guarantee income over many years.

AGB grew by more than 20 per cent last year to almost £45m. It is owned by Mr Robert Maxwell's Pergamon and has just about regained its confidence after a brave but disastrous foray into the US where it took on its arch rival Nielsen in the perilous but potentially profitable field of television audience measurement – and lost.

However, in recent weeks it has received the fairly good news that it will be responsible for half the biggest – £6m – research contract in the UK, the measurement of the British television audience (or rather the ITV and BBC part of it) for the next seven years. But after years of undertaking this prestigious (if not especially profitable) task single-handed it must now share the contract with RSMB, a partnership between Research Services and Millward Brown, which also works for Sky Television.

Stung by AGB's foray into the US, Nielsen, now owned by Dun & Bradstreet, is responding by attacking AGB's power base in the UK. Traditionally AGB was supreme in TV audience measurement, and all its spin-off activities, while Nielsen concentrated on retail auditing.

Last summer Nielsen (with a 1989 turnover of £30.6m) launched Homescan, by which more than 7,000 homes used a scanner to send details of their grocery purchases to computer terminals which recorded prices and where the goods were bought. This pre-empted AGB's Superpanel, 8,500 strong, which in September replaces its old Television Consumer Audit, and which also records purchases electronically.

Nielsen also experimented in the Harlech TV area with Stats Scan, which splits a panel of homes into two, one half receiving its West of England TV signal, the other its Welsh signal. In this way advertisers could try out different commercials, and weights of advertising, and relate their effectiveness to the panel's recorded purchasing patterns. Unfortunately it had to be closed down for lack of advertiser support. For its part AGB has bought NMRA, Nielsen's main rival in the field of retail auditing, and intends to invest in it heavily.

But while AGB and Nielsen slog, Mr Martin Sorrel, not content with making his WPP advertising group the largest in the world (outside Japan), has become the biggest research boss in the UK through his acquisition of Millward Brown, Research International and MRB, which were respectively the fourth, fifth and sixth largest research companies in the UK, each with turnovers around £16m.

Another new conglomerate has been formed by Mills & Allen International (MAI), which last year bought NOP for £16m, MIL for £31m, and owns 25 per cent of Taylor Nelson, which through a reverse takeover now controls the Addison Group.

The profitability of PR attracted these outside purchasers, and better management has probably pushed up profits to 8 per cent, on average, of turnover – more for the small qualitative companies (before they hit the slump) and for those with continuous panels.

The biggest cost remains collecting the information. The 25,000 interviewers are demanding to be taken more seriously and the Market Research Society, whose 6,500 members embrace most of the active executives in the business, now admits interviewers into a special category.

Against many forecasts face-to-face interviews still account for more than half the 20m interviews conducted by researchers in the UK last year, compared with 11 per cent through group discussions and the same from self completion surveys. Telephone research, which constitutes more than 70 per cent of data gathering in the US, remains at around 15 per cent in the UK.

And if the British are conservative in their gathering methods there is the same predictability about the things researched – food and soft drink manufacturers are far and away the most important clients, spending £38m last year through Amso companies, on answering the same old questions.

In all £68m was invested by companies in discovering the size and structure of markets, including information about brand share and purchasing patterns, while direct research into specific products absorbed another £53m. Advertising and promotional research cost £39m and media research £16m.

These are all the traditional areas. But then market research is a very traditional industry. Only one leading company, The Research Business, has emerged in the past decade. Ownership might change but researchers go on for ever.

What would political polling be without Mr Bob Worcester of Mori? And while it continues to service clients satisfactorily and take on and beat European, and American, competition, why should it change for the sake of change?



INTERNATIONAL OPPORTUNITIES

## A rise in cross border activity

INTERNATIONAL research is, for several UK market research agencies, a bright spot in an otherwise less than bright outlook for 1990. The Association of Market Survey Organisations (Amso) forecast for this year is of revenue growth no greater than inflation, although a return to faster growth is expected in 1991 and 1992.

However, international research – which Amso defines as "work carried out by UK companies which involves collecting data in one or more overseas countries" – grew last year at twice the rate of domestic research, and the trend is likely to continue.

To be precise, out of Amso members' total 1989 turnover of £238.6m, international research accounted for £35.9m, 31.7 per cent up on the previous year.

Being big in international research, in the sense just defined, is not necessarily the same thing as being big internationally. Some of the biggest research companies in the world, such as Information Resources Inc (IRI) in America do either nothing or very little outside their home countries.

AGB was, until WPP scooped up J. Walter Thompson and the Ogilvy Group along with their research subsidiaries, easily the biggest British-based company in the research world. It has offices in 22 countries but is not particularly strong in multi-country studies expect in South-east Asia, where they are conducted by its SRG subsidiary.

The world top 10, according to Mr Jack Honomichl, who publishes the Chicago-based Inside Research newsletter, are detailed in the accompanying table.

**WORLD'S TOP 10 RESEARCH COMPANIES**

1. **DUN & BRADSTREET:** research turnover of \$1.26bn, divided between Nielsen (\$892.8m) and IMS (\$365m). Both agencies have a global presence, with offices in 40 countries.
2. **WPP:** research revenues totalling \$251.2m, divided between MRB, Research International and other agencies. Research presence in 14 countries.
3.* **CONTROL DATA CORPORATION:** subsidiaries Arbitron and SAMI turn over \$238m. US only.
4. **AGB:** research turnover of \$229.5m. Research presence in 22 countries.
5.* **IRI:** research turnover of \$136.4m. US only.
6. **GfK (West Germany):** Research turnover of \$116.5m. Research presence in seven countries.
7. **VIDEO RESEARCH:** partly owned by the Dentsu advertising agency. Research turnover of \$76.4m. Japan only.
8. **MAI:** research turnover of \$76.4m divided between NOP, MIL, its US subsidiaries and another American research agency, Mediamark Research.
9. **INFRATEST (West Germany):** research turnover of \$71.6m. Research presence in eight countries. Infratest owns the Burke companies in Europe, originally US-controlled.
10. **WESTAT:** research turnover of \$66m. US only.

*Control Data and IRI 1989; all other figures 1988*
*Source: Inside Research*

Research International, headquartered in London, claims to have the world's biggest custom research network, consisting not only of its own offices in 14 countries but also of associated companies in another eight, including Hungary, and a prospective associate in the Soviet Union.

In the past two years RI has worked in 100 countries, including the USSR, where it carried out two surveys for western companies, one a beverage manufacturer, the other in the sanitary protection market. (Among the findings was that only a minority of Moscow women use specially made sanitary protection products, the reason being that they are simply not available to be bought.)

There is general agreement that UK research companies are still in the lead when it comes to multi-country studies, especially in the Third World. Several companies have a great deal of experience of this kind of work.

One of the reasons for British pre-eminence in the field is that US multinationals have found London to be a good launch pad for multinational surveys. That does not, incidentally, apply to Latin America, where US research groups would be the most likely to be used. But very few American companies take any interest in conducting comparative surveys in several countries, whereas there is nothing some UK researchers like better.

Great size is not a condition for being able to do such work. Medium sized London research agencies, like The Research Business and Research Services (RSL) have built a reputation for international surveys.

RSL has been responsible, with the help of associates, in carrying out both a European Businessmen's Readership Survey and an Asian Businessmen's Readership Survey.

If you do not have a network of wholly-owned offices, you can always join a voluntary network of independent research agencies, such as the International Research Institute (Iris), to which RSL belongs and which has member agencies throughout western Europe. Another, similar chain is International Research Associates (Inra), to which NOP belongs and which has members in 30 countries. Inra has an office in Brussels to co-ordinate international surveys.

Yet another association of research agencies, though some people do not realise it, is Gallup International. In spite of the fact that many of the 40 member companies, including the one in London, trade under the Gallup name, there are no ownership links between them and never have been.

Gallup is in essence a club, inspired by the example of the late Dr George Gallup, American father of the opinion poll. Its original purpose was to facilitate the exchange of ideas. Its legal headquarters are in Switzerland, but Mr Norman Webb, secretary general of Gallup International, sits in London. Dr Gallup's own company, which was bought two years ago by a company called SRI, is the largest member of the club but enjoys no special rights.

Gallup members work together on projects such as an end-of-year poll carried out in some 35 countries, in which respondents are asked about their expectations of the year to come. The comparative survey, which is sold to anyone wanting to buy it, covers eastern Europe even though the Gallup club has as yet no members there.

As 1992 and the European Single Market draw near, hopes are high among international researchers that client companies will put more and more money into finding out how the different national markets within the EC stack up against each other.

Mr Tim Bowles, chief executive of MRB, believes that the Anglo-American relationship, which has been so important in putting London ahead as a centre for international research, is likely to be supplemented by a growing Anglo-Japanese relationship.

That will, however, take time. Japanese companies are not yet gluttons for western-style surveys. They still rely a great deal on sending their own people to talk to traders. Of course, that too is market research, though not the kind that makes research agencies rich.

Meanwhile, Britain's international researchers have received some not all together congenial advice from a client, Mr John Crane of Xerox. At this year's Market Research Society conference in Brighton in southern England, Mr Crane called for "the creation of truly European research agencies so that real Euro-wide research can be simultaneously conducted across 10 or 15 of today's national markets.

"These new agencies will also need to be larger and better resourced. Currently in most agencies there appears to be a massive lack of management in depth below the one or two leading front men.

"The structure of the new pan-European agency "should mirror more closely the multinational companies which are its primary clients in having a central HQ staffed by a multinational management team.

"There are today several international agencies with wholly owned subsidiaries in several countries which lack this characteristic. Clearly, improved efficiency and improved control must derive from pooling management and specialist skills in one central location rather than having them distributed across partner companies in each national capital.

"For this to be workable it follows that databases and sampling frames for each of today's national markets should also be centralised, with decentralised locations being devoted primarily to local fieldwork activities."

Much of this is contentious, especially the notion that greater efficiency would result from putting all of an international network's best brains in the same office in London – or Paris or Munich.

Most researchers, however, are likely to welcome Mr Crane's view that in future market research agencies should provide clients not only with survey data but with "consultancy on marketing problems." Being treated as consultants rather than mere number-crunchers is the dearest wish of many a research company. Not many are able, like Taylor Nelson, to charge extra for consultancy services.

**Philip Kleinman**




**Forthcoming Survey**

International Direct Marketing ................ April 18

The UK market research sector is dominated by a handful of big groups. **Philip Kleinman** reports

# Power concentrated in the hands of a few

THE MOST important names in Britain's £320m a year market research business are not to be seen in the table of 1989 research agency turnovers just published by the Association of Market Survey Organisations (Amso). *They are Mr Robert* Maxwell, Mr Martin Sorrell, Dun & Bradstreet and MAI.

Between them they control seven of the top eight agencies in the table. This exemplifies one of the principal recent trends in the business, worldwide as well as in the UK, to wit the increasing concentration of power in the hands of a few groups, for which research is only part of a greater information industry.

The biggest single British research agency is still, as it has been for many years, AGB (standing originally for Audley Gapper and Brown, its founders). The company established its reputation back in the 1960s with large-scale, continuous, syndicated surveys of consumer spending. Later it became specially well known for measuring television audiences, not only in Britain but in several of the many overseas countries into which it expanded.

**Research turnover 1989**

| Ranking by turnover | 1989 (000's) | % change over 1988 |
|---|---|---|
| AGB | 44,906 | +22.6 |
| Nielson Marketing Research | 30,580 | +16.8 |
| Millard Brown | 17,031 | +3.6 |
| *Research International UK* | *16,156* | -5.1 |
| MRB Group | 15,676 | +33.0 |
| MIL Research Group | 15,200 | +21.6 |
| NOP Group | 14,809 | +10.2 |
| MORI | 8,523 | +58.4 |
| The Research Business Group | 8,452 | +20.4 |
| Research Services | 7,619 | +2.3 |
| The Harris Research Centre | 5,740 | +20.7 |
| *The MBL Group* | 5,301 | +11.9 |
| Social Surveys (Gallup Poll) | 4,251 | +26.5 |
| Gordon Simmons Research Group | 4,111 | +1.2 |
| Burke Marketing | 3,649 | +16.2 |
| Martin Hamblin Research | 3,549 | +21.3 |
| FDS Market Research Group | 3,475 | +45.1 |
| Public Attitude Surveys (PAS) | 3,228 | +7.5 |
| Research and Auditing Services | 3,043 | +15.6 |
| Communication Research Ltd | 1,852 | -18.4 |
| Independent Research Bureau | 1,710 | +15.9 |
| IFF Research | 1,600 | -9.1 |
| Cooper Research and Marketing | 1,493 | 0 |
| TOTAL | 238,582 | +18.3 |

Association of Market Survey Organisations

**Publisher Robert Maxwell and Martin Sorrell of WPP: two of the most important figures in Britain's market research sector**

In the mid-1980s AGB, under its ambitious chairman, Sir Bernard Audley, embarked on a costly and ultimately unsuccessful attempt to capture the American market for TV audience research from Nielsen. The financial effects of this failure on AGB, a public company since 1970, were such as to allow it to be taken over in 1988 by Mr Maxwell.

Mr Maxwell merged it with his Pergamon Professional and Financial Services, and the merged company, properly called Pergamon AGB, continued under Audley's chairmanship until a few weeks ago, when Sir Bernard retired at the age of 65, to be succeeded by Mr Maxwell's son Kevin.

At about the same time the company, now stripped of most of the non-research activities it inherited from the Pergamon side, went private, with the buying out of minority interests by a Maxwell family concern. The reason for the move *is to protect AGB from stock* market sulks over future profits, expected to be reduced by the costs of a heavy programme of investment in electronic data capture equipment.

The worldwide trend towards market research mergers is indeed closely related to the development of such equipment, which only the leading enterprises can afford. AGB's great rival, Nielsen, has in the past year also been spending heavily on expensive gadgetry. Nielsen, America's and the world's biggest research agency and long-time runner-up to AGB in Britain, surrendered its own independence to Dun & Bradstreet in 1984. Since then, but particularly in the past year, competition between Nielsen and AGB has *become much fiercer.*

The two have been muscling in on each other's territory. In the past, Nielsen in Britain stuck mainly to retail auditing (that is measuring the number

**The trend towards market research mergers is closely related to the development of electronic data capture equipment, which only the leading enterprises can afford**

of packages of different brands moving off the shops' shelves), which AGB did not do. Lately Nielsen has been setting up consumer panels, while AGB has, via the acquisition of a firm called NMRA, moved into retail auditing.

In 1988 Dun & Bradstreet acquired the world's second biggest market research company, IMS International, run at that time by Mr Robert Louis-Dreyfus, who this year took over as chief executive of *Saatchi & Saatchi.*

IMS, in spite of its size, is little known even among market researchers because its work is confined almost entirely to the pharmaceutical and medical field.

IMS does not belong to Amso and, unlike Nielsen, does not publish figures of its UK turnover. However, it employs several hundred in Britain and would certainly, if it did belong to Amso, be ranked among that association's leaders.

The fourth, fifth and sixth places on the Amso table are occupied by subsidiaries of Mr Martin Sorrell's WPP Group. Number four, Millward Brown, formerly an independent company, sold out to Mr Sorrell last year. Number five, Research International, was acquired by WPP together with the Ogilvy Group. Number six, MRB, came into the WPP net as a subsidiary of J. Walter Thompson, Mr Sorrell's first really big buy.

Together the three WPP-owned research agencies have UK revenues greater than AGB's. However, they continue to be run entirely separately.

The same applies to the seventh and eighth names on the Amso list, MIL and NOP, both recently bought by MAI. The latter is best known for its money-broking activities but has, under Mr Clive Hollick, set up an information division comprising, so far, research agencies in Britain and America.

MIL was a public company, sold by its directors, who owned a majority of the shares. NOP was acquired from its former parent, Associated Newspapers. MAI also has a large minority shareholding in the Addison Consultancy Group (alias Taylor Nelson/MAS), which occupies third place in the Amso table.

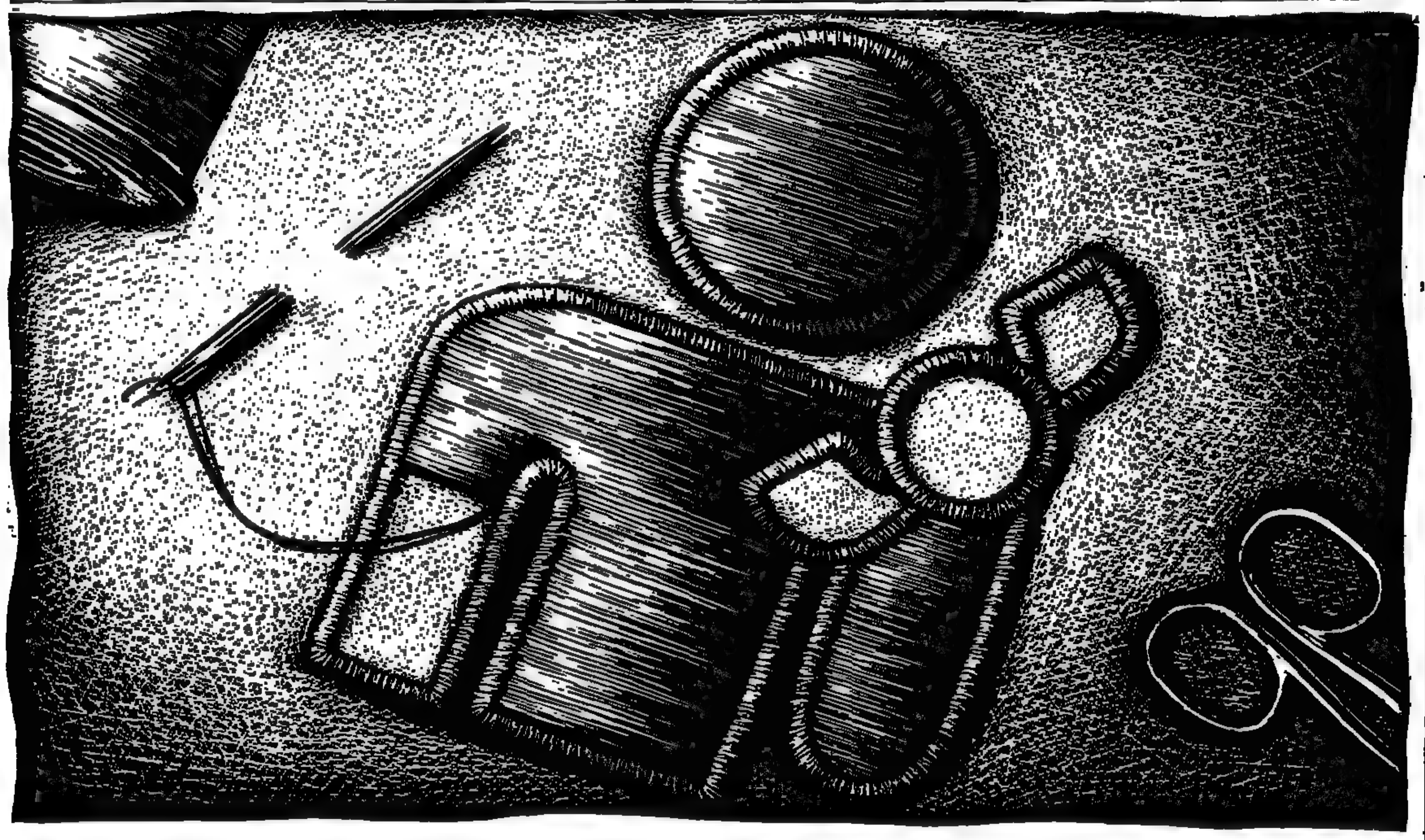
MAI's stormy attempt to take over Addison received a good deal of publicity last year but finally failed after French interests came to the rescue of Addison's chairman, Ms Liz Nelson. Nothing daunted, Mr Hollick proposes to spin his information division off in the not too distant future as a separate public company under its own boss, Mr William Nabarro.

Amso's 24 member agencies are reckoned to account for three quarters of the market research carried out in Britain. The top eight agencies alone share half the total market. However, while much research may increasingly be a game for the big boys, there is still room for small fry who know what they are doing.

The biggest increase in turnover last year (58 per cent) was recorded not by any of the leading groups but by Mr Bob Worcester's Mori, which took ninth place in the Amso pecking order. And, unlike his counterparts in the larger agencies, Mr Worcester still controls his own company.

Electronics is not, after all, the sole determinant of research success. Taylor Nelson has done well by dividing itself into a number of specialised units and offering clients the attention of people with expert knowledge of their *industry.*

Research International, the only leading Amso member to have suffered a turnover decline last year, is currently wooing potential clients with a jolly marketing wheeze, namely a Helpline giving callers instant research advice whoever they may be. The initiative sprang from discussions between RI and its new sister company J. Walter Thompson.





Quantitative versus qualitative research

# Electronics the tool in interviewers' armoury

MARKET research comprises a number of different types of activity. They range from "quantitative" surveys of thousands of people, in which electronic data processing is of crucial importance, to small-scale, "qualitative" studies, where what counts is the researchers' understanding of evidence gathered from a few group discussions or "depth interviews" with individuals.

The big money comes from quantitative research and more specifically continuous, syndicated surveys; ad hoc research is far less lucrative. That is a proposition with which many research professionals would instantly agree, even though it contains a serious ambiguity.

The term ad hoc is commonly used in the jargon of the British market research trade to denote a survey carried out for a single client, what the *Americans call custom* research.

Ad hoc seems to imply a one-off job; however, many single-client surveys are continuous or frequently repeated.

Examples are Research International's work on postal efficiency or Millward Brown's tracking of the effects of particular advertising campaigns. On the other hand, some one-off studies are syndicated to several different clients.

**The big money comes from quantitative research and more specifically continuous, syndicated surveys of thousands of people; ad hoc research is far less lucrative**

Then there are so-called omnibus surveys, which may contain elements of both syndicated and custom research. An omnibus is a regular operation, such as NOP's, in which every week 2,000 people are asked a variety of questions on behalf of a variety of clients. The interview lasts about 45 minutes.

A client may join the omnibus on a purely ad hoc basis. At the same time NOP's omnibus is the vehicle for the continuous UK Travel Survey, conducted for tourist boards and the like, and the Financial Research Survey.

Among the best known continuous, syndicated research operations are Nielsen's Retail Index, which involves monitoring the throughput of goods in shops, and AGB's Television Consumer Audit (TCA), which examines the purchasing habits of people in the different ITV regions of the country.

Up until now households belonging to the TCA panel stored their discarded grocery packets in a special bin from which they were collected by an AGB interviewer.

Things have been shaken up, though, since last June, when Nielsen launched a direct challenge to AGB in the form of its new Homescan service.

Homescan depends on a nationwide panel of 7,100 homes, each equipped with an electronic scanner able to read the bar codes on grocery packets. Computer terminals enable panellists to key in prices and the names of the shops where the goods were bought.

All the information is electronically transferred to a central computer, enabling Nielsen to produce rapid analyses of purchasing patterns. AGB is hitting back by establishing a new Super Panel of 8,500 homes, equipped with similar electronic gadgetry. The costs involved make this the kind of game that only the biggest research companies can hope to play.

*Electronic gadgets were also* among the weapons deployed by AGB and Nielsen in their contest, recently concluded, for the Broadcasters' Audience Research Board (Barb) contract to measure who watches which TV programmes.

In Britain AGB has been *exclusively responsible for* compiling TV ratings for as long as most people can remember, but it faced strong competition for the next seven-year Barb contract, due to begin next year.

Three research companies were shortlisted. Finally the Barb board, representing the BBC and the ITV companies, decided to split the contract between AGB and RSMB, a new outfit jointly owned by Research Services (part of the Lopex group) and Millward Brown (recently bought by WPP).

AGB is to carry on with the electronic monitoring of metered TV sets, a field in which it has huge experience. RSMB will be in charge of selecting the sample of 4,500 homes in which the sets are installed.

Barb's decision actually overturned the recommendation of a majority of members of its own specially appointed working group that there should be a single contractor and that it should be Nielsen. The working group contained, as the Barb board does not, representatives of advertisers and advertising agencies.

The ITV companies, however, pressed strongly for a split contract – believing, no doubt, that this would help to alleviate sampling problems which in the past have affected their ratings – and got their way. This leaves the ad agencies fuming, since a split contract is bound to be, they maintain, a more costly one.

Through their trade association, the Institute of Practitioners in Advertising (IPA), the ad agencies pay between 25 and 30 per cent of the cost of the Barb operation. The new contract is expected to cost about £6m a year, partly because the sample size is being increased from 3,000 to 4,500 homes.

At the time of writing the IPA is threatening to withdraw its co-operation, and some voices have even been raised in favour of a supporting a rival TV audience measurement service. What the ad agencies are really after, though, is a cut in their subscription.

The row raises some doubts about how lucrative the Barb contract, big as it is, will turn out to be for the research contractors.

Another big media research contract, comparable with Barb, though not involving the same level of expensive high technology, is the National Readership Survey, handled by Research Services for the Joint Industry Committee for National Readership Surveys (Jicnars). This involves a total of 28,000 face-to-face interviews throughout the year.

Contracts with industry bodies such as Barb and Jicnars are comparatively rare. Other leading syndicated surveys are the property of the research agencies which initiated them and which are constantly on *the lookout for new subscribers.*

Among the players in this game, apart from Nielsen and AGB, is MRB with its Target Group Index. The TGI, based on interviews with 24,000 people a year, relates patterns of consumption and media use to *demographic* data.

Less widely known are the continuous, syndicated services such as MIL's Comtec, which monitors the use of computers in 12,000 establishments, and the same research company's Pharmaceutical Development Service, which questions 200 GPs a month about their reactions to new products.

**Electronic gadgets were among the weapons deployed by AGB and Nielsen in their contest, recently concluded, for the Barb contract to measure who watches which TV programmes**

At the other end of the market research spectrum, qualitative research has enjoyed a boom in recent years. Among the most enthusiastic users of the 'focus group' (discussion group) technique have been advertising agencies, intent on finding out not how many people do what but which reactions to a planned campaign they have failed to anticipate.

Because advertising finds itself at present in the doldrums, there has been something of a dip in the market for qualitative research. Nevertheless a lot of it is still being done.

Qualitative research is most useful as a way of developing hypotheses, for example about attitudes to brands, to be tested in quantitative surveys.

At one time some clients were said to be relying on a set of four discussion groups as a cheap and cheerful substitute for proper quantitative research (if prices ranging from £4,000 to £11,000 can be said to be cheap), but that practice appears to have diminished.

**Philip Kleinman**

WHO USES RESEARCH?

# The first casualty of cuts

WHO uses research? Ideally every company which has plans for expansion. Unfortunately it is still too easily cut back when profits look like slipping. In 1989 retailers, who had enthusiastically jumped aboard the research bandwaggon in recent years, reduced their expenditure on research (at least through Amso members) by 8 per cent, to £6.9m.

This was understandable given the financial massacres among some of the newest High Street brand names, but rather sad. It was the old story of planned research expenditure being defered when profits slumped. Research is just as useful in plotting alternative strategies in a recession. Indeed research can show up areas where significant cost savings might be made.

The oil companies also cut back on research last year by 3 per cent, to £3.2m, while tobacco companies marked time, investing £3.8m, the same as in 1988. In real terms, of course, this means a reduction. In both industries, ruled by multinationals, the UK is becoming less important to them as a source of profit, and there was little innovation of their products.

But retailing, tobacco and oil were the exceptions. Apart from the extraordinary success of British research companies in developing business overseas, especially in Europe – international assignments now account for £35.9m of the revenue of Amso members, a 31.7 per cent rise on 1988 – substantial progress was also made in business and industrial research, 64 per cent higher at £14.1m, and in public services and utilities, up 30 per cent at £16.5m.

(All figures relate to Amso members but since they are the largest research companies and account for 65 per cent of industry turnover they can speak for the rest).

The relatively small use made of research by industrial goods manufacturers in the past has been a national scandal. This is now changing, and the growth in business-to-business research reflects the growing marketing sophistication of this sector.

Thus, instead of relying on their nose, on trade exhibitions, or on the reports of their salesmen for knowledge about developments in their industries, chief executives of capital goods manufacturers are buying into the inexpensive quantitative research surveys which are offered by most large research companies, who, in turn, have got over their fear that industrial research was a specialist activity and a world apart from interviewing consumers. The need to find out about Europe is also driving capital goods companies towards research.

Much of the research in this area is done through the telephone, making use of facilities which were in danger of being underemployed. For the telephone still only accounted for 15 per cent of the 13m interviews conducted by Amso members last year compared with 70 per cent of all interviews in the US. This slow penetration has disappointed its supporters, but telephone research is likely to come into its own in pan-European surveys, and not only by business users; in countries like Germany, privacy laws make door-to-door research difficult.

**Source of revenue by client industry sector**

| | 1989 (£m) | % change over 1988 |
|---|---|---|
| Food/soft drinks manufacturers | 38.0 | +17 |
| Media | 22.2 | +10 |
| Alcoholic drinks | 17.2 | +32 |
| Public services and utilities | 16.5 | +30 |
| Health and beauty aids | 16.1 | +9 |
| Business to business (including industrial) | 14.1 | +64 |
| Vehicle manufacturers | 13.3 | +30 |
| Financial services | 13.3 | +13 |
| Advertising agencies | 13.1 | +7 |
| Pharmaceutical companies | 12.8 | +10 |
| Government and public groups | 9.3 | +13 |
| Travel/Tourism | 7.0 | +19 |
| Retailers | 6.9 | -8 |
| Household durables/hardware | 6.3 | +2 |
| House products manufactures | 5.3 | +13 |
| Tobacco | 3.8 | 0 |
| Oil | 3.2 | -3 |
| Other | 16.6 | +3 |

Association of Market Survey Organisations

The expansion in research by public services and utilities is partly accounted for by the vast sums of money that the government invested to ensure the success of the water industry privatisation. Recently privatised operations, like British Gas, are also big believers in research. British Gas will be spending around £3.5m this year, a rise of 15 per cent on 1989.

Other areas of growth in 1989 were by vehicle manufactures, up 30 per cent to £13.3m, reflecting the fiercer competition especially by foreign marques in the UK; alcoholic drinks, higher by 32 per cent at £17.2m, also a sign of increased competition, the arrival of new brands (many from overseas), plus the brewers' efforts to deflect government action on their monopoly over outlets; and travel and tourism, showing a 19 per cent increase at £7m. Since travel, like retailing, had a hard time of it in 1989, the industry's faith in its future is commendable.

Two significant traditional spenders hardly matched inflation. The media bought £22.2m worth of research, only 10 per cent more than in 1988, while the downturn in advertising, especially TV spending in the latter part of last year, was reflected in the static 7 per cent growth to £13.1m in this sector.

The media research figure is surprising since many new titles appeared during the year, but the advertising cutbacks were inevitable given that television advertisers have saved money by persevering with old commercials and therefore did not need to research the effectiveness of new creative ideas.

As ever, fast moving consumer goods remain the bedrock of research, although the days when they accounted for more than half the domestic research business are long gone. Still, companies like Unilever, P&G and Cadbury remain the big spenders, and between them and food and soft drink manufacturers they accounted for £38m of research in 1989, a 17 per cent uplift on the previous year.

This year research expenditure in the UK is unlikely to rise in real terms with areas like financial services (worth £13.3m), household durables and hardware (£6.3m), and advertising likely to show actual declines. But the industry, through such institutions as the revitalised Market Research Society, is now making strenuous efforts to sell the relavance of research and few expect a worrying recession – or any significant changes in the areas of growth.

**Antony Thorncroft**

CASE STUDY: The Army

# Marilyn's bait for the boys

Britain's army in the 1990s is facing a crisis. Not from the conventional threat of arms cuts or even the thawing in East-West relations; instead, it is the changing demographics of the UK population which poses the biggest problem.

By the mid 1990s there will be some 25 per cent fewer 16 to 19-year-olds in the UK population – a consequence of the declining birth rate of the late 1970s and early 1980s.

In itself, this would pose problems for army recruitment in terms of having to compete for the smaller pool of young people with other significant employers, such as the retail and service industries.

But other long-term social factors are also at work. Britain, for example, is slowly developing a middle-class culture to go with the increasing age and affluence of the population. Since many army recruits come from what have traditionally been seen as the 'working classes', the available pool of youngsters is cut even further.

More young people, moreover, are also questionning the relevance of a soldier's job, particularly in light of the rapid changes in eastern Europe.

To maintain what it considers is an effective force, however, the army needs to fill some 20,000 places each year. Currently it is under-strength by 4,100 trained men and, since 1987, the total number of applications each year has fallen away considerably.

The position has been neatly summed up by army personnel officers with one of the acronyms for which it is famous: Marilyn. This stands for Manning and Recruitment in the Lean Years of the Nineties.

As part of its Marilyn strategy, the army decided it needed a new communications strategy to help recruit the young men it needs in the 1990s. Mr Mick Byrne, from advertising agency Delaney, Fletcher, Slaymaker, Delaney & Bozell, and Mr Roy Langmaid, from the marketing group The Changes Consultancy, were given the job of formulating a new communications approach.

Initial research by the pair left them with some unease: "We didn't understand the audience with whom we had to communicate," they say. The problem with all previous research was that it had been carried out in an era when a little publicity brought forward sufficient numbers of recruits from a much larger pool.

Thus Mr Byrne and Mr Langmaid found themselves trying to formulate an advertising approach without any real idea of how young boys really thought.

They persuaded the army to fund new qualitative research: young boys together in a room to "talk about the army." The difference with previous research was that the aim was not to talk about the army but to let the young boys talk about themselves.

The emphasis, moreover, was on talk: "It has become standard practice to assume that because it is difficult to talk to them they must be reachable or contacted by some other means of communication – thus the hypothesis of the visual generation was born."

The researchers add: "Nowadays, it is difficult to deal with a group containing under 20-year-olds without being boxed in with a deluge of film clips, style boards, style videos, and commercials deemed relevant to the target group."

Instead, Mr Byrne and Mr Langmaid concentrated on developing a rapport with their interview groups. The discussions did not mention the army but centred on jobs, prospects, lack of support from parents, school and life in general. Disillusionment and despair soon became obvious.

The researchers then turned the conversation towards the boys' aspirations: "What kind of man do you wanna be?" was how the question was phrased.

"The essential finding from the groups was that many of the things offered by the army were exactly those things that young men wanted," report Mr Byrne and Mr Langmaid. "But the manner in which they were communicated by the army completely failed to match the perceptions of the target audience or to acknowledge their negative feelings or to relate to the context of their everyday lives."

The researchers believed that the then current army advertising was inappropriate for youngsters. Such commercials, they point out, are largely cut from film of Nato exercises in Europe, full of military hardware but with no characters or story line with which the potential recruits can identify.

The result was three new television commercials aimed at changing attitudes.

- 'Going In' draws attention to Army Careers Information Offices, presenting them as places to get further information rather than places to make a long term commitment to the army.
- 'Duck' presents the fact that soldiers are made, not born, with talented instructors helping recruits learn new skills.
- 'Plenty on Top' directly shows that being a soldier gives an ordinary boy advantages over his peers which make him someone to be admired rather than viewed as an oddity.

The tracking study made after the first two commercials were aired has, according to the researchers, "endorsed the key findings made in the qualitative work about the way in which the army needs to communicate with young boys in order to open their minds to the possibility of joining the army."

Although too early for consistent recruiting results to be tabulated, perhaps the results of the Marilyn project will help the army avoid the soldier blues in the rest of the 1990s.

**David Churchill**

CASE STUDY: Profiling tenants

# House calls

THE New Islington and Hackney Housing Association in London approached Research International to survey a sample of its tenants having confessed that it was losing touch with their needs and demands.

It wanted a profile of its customers so that existing services and new housing design could be improved to aid future planning.

The association aims to house those who cannot obtain homes on the open market and those in need. The housing association management acknowledged that its tenants believed only trouble resulted from contact with it, and as a result its own data was bound to be out of date.

Research International conducted 382 interviews, 12 per cent of the association's tenants, in their homes in 1987, using a housing consultant from the London School of Economics to add weight to its own evaluation.

With the association's help RI distilled the key research into five areas including defining the tenants, their opinion of the way they are treated and what the association could do to improve things.

The research questionnaire ran to 66 questions and interviews lasted 30 minutes. Great pains were taken via meetings and a newsletter to inform tenants of the survey. RI was pleased to note that its findings produced benefits for the tenants, half of whom have no paid job.

The survey enabled the association to prove that tenants could not afford rent rises that would be the outcome of government-inspired privately-funded schemes. Using the data they were able to simulate the effect of the rises and show that tenants would be greatly out of pocket.

The survey revealed that one of the biggest irritants for tenants was noise. The questionnaire identified specific causes such as door slamming, which the housing association could solve quickly and cheaply.

A programme for action was derived from the survey results, including recommendations for increased security devices to reduce burglary and an investigation into the possibility of an insurance scheme for household contents. The urgency for heating improvements and sound-proofing was also noted along with the need for bigger kitchens.

The association was happy with the survey saying it endorsed its policies on housing those in need while also challenging some commonly held beliefs.

**Helen Slingsby**

Technology is transforming the art of the interview

# A High Street revolution

"EXCUSE me, madam, would you like to take part in a survey?" is the sort of pat phrase that most respectable market research companies should find anathema.

The vision of a raincoated woman carrying a clip board and stubby pencil, politely interrupting a laden down shopper on the High Street corner, is out of step with an industry turning over £360m at the last count. It is also an anachronism in view of the Brave New World techniques and technologies developed by today's market researchers.

Although some companies still use the High Street stroller method, most have now progressed to a system known as Computer Assisted Telephone Interviewing (CATI). Interviewed over the telephone, respondents are picked randomly from a data base, often the telephone directory.

Interviewers sit in front of their computer whizzing through the questionnaire by tapping the answers. This is directly stored in the memory and cuts out the time taken up feeding the reams of handwritten data. Paper shuffling becomes a thing of the past with software programmes enabling the interviewer to skip sections and get straight to the relevant questions.

This reduces human error, says Ms Michelle Jacobs, of telephone research company Audience Selection. Her company uses around 100 shift working interviewers. "Computers mean we can turn around the information quickly," she says.

"Telephone marketing research has come along way since the early 1980s when British people were more used to market research being conducted on the street corner."

There are many more applications for computers in market research than merely using them as word processing question askers. They can be used throughout the research process from sample design to questionnaire development, survey analysis to the final presentation.

The computer is also being used to store detailed lists of respondents. Some companies are able to call up the respondent from the computerised data and dial automatically. According to Mr Michael Baker, author of The Marketing Book, this has led to "considerable" improvements in the quality of market research analysis and the speed with which reports can be produced.

**The vision of a raincoated woman carrying a clip board and stubby pencil, politely interrupting shoppers is out of step with an industry turning over £360m at the last count**

There has also been an upsurge in laptop computer usage by companies prefering to conduct research face-to-face rather than over the telephone.

Two reasons prevail: first, telesales people have given market researchers a bad name and have made the respondent distrust the telephone interviewer; second, face-to-face questioning is more relaxed and less impersonal.

The jolly voice on the other end of the line masquerading as a market researcher to gain a potential customer's attention that suddenly drops into a sales pitch is the bane of many bona fide companies.

The industry trade body, the Market Research Society, has taken steps to hit back at the 'suggers', as they are known. A publicity campaign last year called 'Your Opinion Counts' was launched to clear up any misconceptions the public may have about being called at home. There was also a code of conduct and a helpline.

Therefore the 'suggers' have exacerbated the use of laptops. WPP-owned Research International has invested £200,000 in 40 Toshiba portables which has taken the traditional CATI system a step further. Known as Computer Assisted Personal Interviewing (CAPI) the laptops can be used by the respondent as well as the interviewer.

"The beauty is that the data in the computer can be sent down the telephone and at the press of a button, printed out back at the office, says Mr Michael Roe, executive director at Research International. "This is the way research will go. The Toshibas can feed the results down the telephone every day.

The use of computers has also slashed the time in which results are turned around into comprehensive research analysis. Using the CAPI system a Research International multinational client obtained the data on 500 interviews with US retailers within a week. In the past it would have taken five weeks.

Network is currently introducing a US telephone research-ing technique which should further streamline the interviewing process. A panel of people regularly call in and respond to a range of questions posed by a computer. According to Network's managing director Mr Eamon Santry, if the telephone can send total messages, respondents do not even have to speak.

"It cuts out two stages of the process, the interviewer and the conversion of information on to computer tape," he says. "It's quick, can be instantly altered and costs less than conventional telephone research."

Network has been developing the system for six months and hopes to offer it to clients by June.

AGB has a state of the art system it has pioneered with clients such as Unilever. Called the Superpanel, it is billed as a 'consumer purchase report system' and is well ahead of its January 1991 launch date.

The Superpanel are the 6,500 households (an estimated 28,000 individuals) who by the end of the year will be responsible for monitoring their weekly consumption, from home.

Product bar codes are the mainstay of the technique which are recorded on a 'market metre' by members of each household using a lazer pen that is run across the code, similar to that used by check out assistants in supermarkets. It records price, place of purchase, but more importantly for the client, preference.

However, the market researcher's desire to go onward and upward, designing expensive, evermore job simplifying systems may put him out of a job one day.

In the meantime there is always the cagey respondent, confounded by synthesised voices and lazer pens, who will keep the market researcher's feet firmly on the ground.

**Helen Slingsby**

CASE STUDY: Prudential

# Fresh face from the Pru

THE 'Man from the Pru' has long been the well-respected image of the Prudential and has helped establish the company as probably the brand leader in selling life assurance to millions of families.

Yet the dilemma from Prudential's point of view is that the company does a lot more than simply sell life assurance: it is a leading diversified financial services group to rank with the big banks and building societies. Studies have shown, however, that many potential clients of its financial services are unaware of this when tested on spontaneous awareness of the company.

Consequently the company has for several years studied the relationship between its own brand image in the context of a rapidly changing market, making full use of research to identify the specific role of the brand within the decision making process.

Qualitative research undertaken by Research International in mid-1989 to look at the role of the brand in the purchase of personal financial services came to the perhaps not unsurprising conclusion that branding was the key means of discriminating between companies.

But, as the Prudential's own market research team of Mr Julian Brown and Mr David Bloomfield point out in a paper presented to last week's Market Research Society conference: "It would seem that branding as a tool is currently being under utilised within the financial services sector."

In the early 1980s, the Prudential's positive values, the researchers point out, were essentially based on the long tradition of the company, suggesting a secure and trustworthy brand. However, at the same time there were negative connotations of being old-fashioned, staid and unexciting.

Prudential was faced with the dilemma of maintaining its image of security while attempting to match the changes in the market.

By means of a new corporate identity revamp – allied to an aggressive advertising campaign – the Prudential has in the past few years managed to transform its image.

"The picture which emerges from various qualitative studies is of a company which is successfully discarding its unenterprising, stick in the mud image to become a modern organisation which is in tune with today's world," suggest the researchers.

The advertising especially played a crucial role in this: one of the findings to emerge from earlier Prudential research was that consumers often associated modernity in financial institutions with an advertising presence, particularly on television.

Commercials based on the irreverent humour of comedian Griff Rhys-Jones were pre-tested (by Research Business) and subsequently aired. "The juxtapositioning of Griff Rhys-Jones with Prudential did indeed provoke surprise, and worked to highlight the impression of a change in direction with greater emphasis on appealing to younger, more upmarket consumers," say the researchers.

They believe that the use of market research clearly helped Prudential to develop a strategy to change its image. "It has provided the basis for the development of a single-minded corporate communication strategy and assisted in defining a consistent set of brand values which form the foundations of its advertising campaign," they add.

**David Churchill**

## COMMODITIES AND AGRICULTURE

# Curtain falls on 5-year tin drama

By Kenneth Gooding, Mining Correspondent

THE FINAL curtain will come down today on one of the most unsavoury dramas in the history of world commodity markets. The bitter five-year dispute which followed the 1985 collapse of the International Tin Council's price support scheme will end when £182.5m is paid over to creditors.

Representatives of the 22 member countries yesterday made final arrangements for the cash to flow into the ITC's account this morning and to flow out again almost immediately to the 36 creditors.

No last-minute hitches were expected but no-one was willing to tempt fate last night by discussing the arrangements.

However, some creditors were still disgruntled about having to accept only about 35p in the pound on the £513m they claimed they were owed.

Creditors were willing to accept a relatively low payment because of the attitude of the UK courts which indicated that, while the creditors had suffered a grave injustice, the ITC countries could not in law be obliged to pay up.

The ITC ran out of money to support the tin market in October 1985, causing the metal's price to collapse and leaving brokers and banks with huge losses. The brunt was borne by the London Metal Exchange which at one point was nearly overwhelmed by the default.

With 72,000 tonnes of ITC stocks overhanging the market, the metal's price remained depressed for three years. Many higher-cost mining companies, particularly in Bolivia and Malaysia closed, with a devastating impact on employment and balance of payments.

The creditors – including 13 banks, 14 LME brokers and two Malaysian smelters – tried to put together a rescue package with the ITC governments but Thailand and Indonesia refused to contribute and these efforts ended in March 1986.

Creditors then resorted to the courts with little success. Eventually the Canadian Government and its representative, Mr Brad Smith, a lawyer and former government official, against all the odds edged recalcitrant countries towards the compromise which will be effected today.

● The LME has scrapped its high grade zinc contract (99.9 per cent pure) in favour of special high grade zinc (99.995 per cent) which it believes better meets the market's requirements. Notice of the change was first given last October.

# Ministers fail to break EC farm price deadlock

By Tim Dickson in Brussels

THE FLICKERING hope of a quick settlement to this year's farm price negotiations died at dawn yesterday when European Community Agriculture Ministers ended their three day meeting in Luxembourg without agreement.

Efforts will now be made to find a new compromise ahead of the next EC Farm Council, due to take place in Brussels in the week beginning April 23, though in the weary aftermath of this month's failure there is little hope that a breakthrough is in sight.

Yesterday's developments were a setback for Mr Michael O'Kennedy, Ireland's Farm Minister, who had hoped to win kudos for himself and the Irish Presidency of the EC by piloting through a deal before the start of the agricultural marketing year on April 1.

He and his fellow Irishman Mr Raymond MacSharry, the EC Agriculture Commissioner, tried hard to find acceptable ways of softening the impact of Brussels' demands for a broad price freeze – but in the end EC officials said most member states remained unhappy.

The final Presidency compromise – to which Mr MacSharry was prepared to put his name – abandoned the earlier idea of a cut in the cereals co-responsibility (or producer tax) in favour of a decrease in the payment delays for intervention purchases from 110/120 days to 60 days, and an increase in the special payments known as monthly increments. Along with last minute agri-monetary concessions – including a bigger devaluation of the "green" pound than originally on offer – these changes were designed at least partially to offset the effect of the automatic 3 per cent price cut required by the cereals "stabiliser" for 1990-91.

Another important sticking point was the part of the price package devoted to small producers. Britain, France and Denmark, albeit for different reasons, proved particularly obdurate in their opposition to certain elements of these proposals, notably the special aid for small arable producers. Even a commitment to increase the maximum size of farm qualifying for support from 20 to 30 hectares failed to sway the doubters.

A lowering of the price cut for mandarins, satsumas and lemons from the original 7 per cent to 3 per cent still left a sour taste in the mouth of one Mediterranean member state.

# Strange bedfellows in pesticide testing controversy

## A bureaucratic log-jam is worrying chemical companies and environmentalists, reports Bridget Bloom

BIRD SONG and Bach – or at least Bach-like chords – are the improbable prelude to a new video for farmers. Dr David Bellamy, the popular conservationist, sits dreaming in a summer garden, bees buzzing and birds trilling, until he is awakened by a helicopter sweeping low to spray nearby crops.

The video has been produced by Dr Bellamy for ICI Agrochemicals with the aim of showing how carefully the company's pesticides are tested. Last week ICI distributed over 1,000 copies free to those in the farming industry who, like the multi-national giant, are worried that consumers have the wrong idea about their product.

"Opinion polls suggest that four out of five people believe we can do without the use of pesticides so we have clearly failed to convince the consumer of their importance" says Mr Chris Major, ICI Agrochemicals' public affairs manager, as he reels off statistics to illustrate how without them, for example, wheat production would be 58 per cent lower.

Clearly, it is not just ICI that is alarmed about declining consumer confidence in agrochemicals. World-wide sales, running at around £11bn annually, are said to have slowed markedly after consistent rises in the 1970s. Consumer concern, fuelled by increasingly active environmentalist groups, is beginning to be reflected in both national and EC legislation which, as Mr Major says, seems set to make for a tougher future for the industry.

There are particular problems in the UK, where new legislation has highlighted the bureaucracy's inability to cope with pesticide approvals. In August last year, under the banner of the Green Alliance, Friends of the Earth, the Pesticides Trust, the National Federation of Women's Institutes and the Transport and General Workers Union combined in an unprecedented alliance with the British Agrochemicals Association to demand action on several fronts; six weeks later they received a reply but late last month the same groups jointly proclaimed the Government's response still to be complacent, disappointing and in parts incomprehensible. So the row rumbles on.

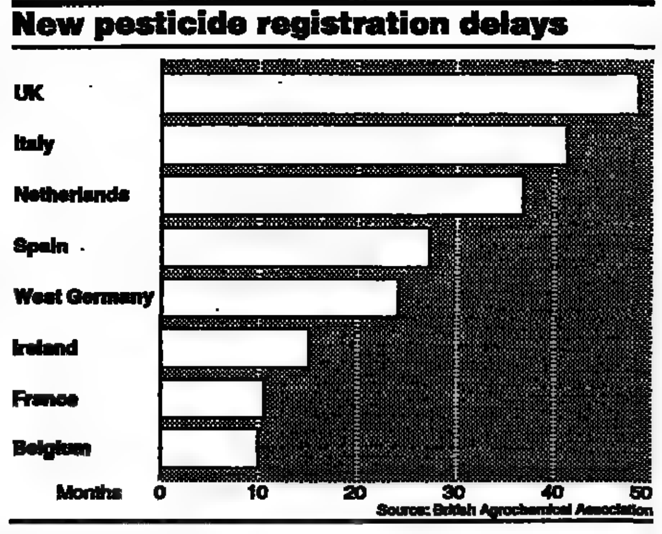
The British agrochemical industry has three main concerns, to which the environmentalists add a fourth.

Following the introduction of new legislation in the UK in 1986 all marketed pesticides – by which are meant all products which kill pests, weeds and plant diseases – have statutorily to be approved by the government for safety and efficacy. This replaces voluntary approval schemes agreed by industry and the Government's regulatory authorities.

The immediate problem is over delays in obtaining these approvals which, as Mr Major says, not only cost the companies, and hence farmers, dearly but also help further to undermine public confidence.

The precise backlog is disputed but that for the approval of new compounds – likely to be safer than older ones – is between three and a half and four and a half years – compared with 10 months in France, for example.

**New pesticide registration delays**




The review of older pesticides, announced a year ago and involving at least 100 compounds, has barely begun. Even officials at the Ministry of Agriculture's data evaluation unit in Harpenden accept that at present rates it could take ten years. But Mr Andrew Lees, the pesticides campaigner for Friends of the Earth, believes 20 to 30 years is more likely.

The third area of concern centres on parallel moves in Brussels to produce an EC-wide register of approved pesticides. Proposals for a Council directive are currently before the European Parliament – as are amendments double the length of the proposal itself.

As it stands, the proposal would establish an EC-wide list of approved active ingredients, with products approved in member states at the time of the directive's implementation remaining acceptable for 10 years. There are naturally fears that Brussels' procedures would lead to even greater delays than those in member states.

The fourth area of concern is one which most EC governments and the industry would like to push under the carpet. The controversial EC Drinking Water Directive of 1981 also lays down limits on pesticides in water. These "maximum admissible concentrations", set at one part per billion, are quite regularly exceeded, environmentalists maintain. But while government, water and agrochemical industry officials tend to argue that the limits were wrongly set (for the toxicity of pesticides varies and those which leach most are least harmful) the environmentalists disagree and insist the directive should be respected.

Last August's joint letter to the six UK Ministers involved in pesticide policy emphasised the delays in approvals. It demanded a tripling of resources to complete the review of older pesticides by 1992 and to reduce delays on new approvals in line with best European practice by that date.

The groups also wanted an increase of at least 100 inspectors (on a complement of some 165 today) for on-farm duties. In addition they called for more frequent testing of residue levels of pesticides in food, as well as a national pesticide incident monitoring scheme to replace the four different systems operating at present.

Though Mr John Gummer, Britain's Minister of Agriculture, replied in a four page letter, the substance of the protestors' complaints got fairly short shrift. Mr Gummer acknowledged that the approval delays were unacceptable, declaring that staff at Harpenden had been increased by ten to 58 (from 18 in 1986). Giving no figures, he that said more posts might be added later, and that there might be more inspectors. However, current arrangements on monitoring "provided an overall reassuring picture," he said.

Not surprisingly, the industry has reacted to this more gently than the environmental groups. Though neither is satisfied, some industry representatives are inclined to give the Government the benefit of the doubt: reorganisation of the pesticide division within the agriculture ministry, and genuine difficulties of staffing partly resulting from low salaries and poor working conditions at Harpenden, are slowly being overcome, companies say, while there are even suggestions of much increased resources on the way. The companies say they are prepared to cover the extra costs themselves through an increased levy on pesticides sales in the UK.

The environmentalists are less charitable. Mr Lees, for example, finds the Government's response unacceptably complacent. He is most critical of its failure over the years to take action against unsafe pesticides – "like the aldrin highlighted by Rachel Carson in 1962" – until proof becomes absolutely incontrovertible.

The joint protest of industry and environmentalists "certainly provided a salutary reminder to government that when the going gets tough unlikely allies will find a common agenda" Lees says. But he feels the differences between the two groups still remain significant, and unresolved.

At the end of the ICI video, Dr Bellamy, his task of "bringing you the facts" about pesticide safety completed, returns to his deckchair to snooze again peacefully. That is not a luxury available today either to his sponsors or governments.

# Malaysia tries to clear palm oil stocks

By Lim Siong Hoon in Kuala Lumpur

THE GOVERNMENT of Malaysia has intervened to clear 1m tonnes in domestic palm oil stocks. Simultaneously, it is working to unify local exporters under a single marketing umbrella organisation.

These measures are just two of several that are are aimed at bolstering export sales in overseas markets that have been nibbled away by the Indonesians.

Central to the overall scheme is a decision announced last week to tax exports of crude palm oil when they are sold at M$650 (£145) a tonne or more.

The tax change, which could immediately boosts CPO sales abroad, is a big shift from the past 15-year-old policy to made unprofitable exports of crude, rather than refined, palm oil.

To encourage domestic refining, only CPO exports are taxed. A regressive tax structure is used, and it starts at significantly below current market prices. The higher the price, the higher the marginal tax rates. Until last week, crude palm oil was taxable if sold at upwards of M$500 a tonne compared with Kuala Lumpur prices of around M$700 a tonne.

As a result, more than 95 per cent of Malaysian palm oil exports are refined. But this leaves the unprocessed seed oil segment of the world market out of Malaysia's reach. It is filled instead by the Indonesians.

Of its 1m tonnes in existing stocks, unchanged since December, crude accounts for 75 per cent.

Narrowing the difference between the minimum taxable rate and market prices will now smooth the way for Malaysia to sell crude palm oil to big importers such as India and new markets such as Mexico for refining at home. Malaysia held talks on the subject with the two countries last year.

Mr Lim Keng Yaik, the Primary Industries Minister, who announced the new tax regime, has met local growers and refiners to explain it.

Ostensibly, it is intended to end a feud between the producers. Refiners, sheltered for years by the Government, stands to lose from the tax adjustment while growers are thought to be holding back stocks in anticipation of higher prices.

Their discord, Mr Lim said, had contributed to the persistently high stock levels which stood at 1.03m tonnes at the end of February. But farm output is soaring again. The combined January and February production, according to the Statistics Department, amounted to 860,146 tonnes, 22 per cent higher than in the corresponding period of last year.

Mr Lim hopes to clear immediately 300,000 to 400,000 tonnes of existing stocks at between M$680 and M$710 a tonne – slightly beyond the tax threshold.

He has given growers and refiners three weeks to arrange their deals and report back to him.

Some incentives were given. Producers could offer to the Government their stocks as food aid to poorer countries. The Finance Ministry is working to provide additional credit lines to exporters.

Apart from restoring order among quarreling domestic producers Mr Lim's meeting with them has a long range goal. His ministry has begun organising a national marketing unit to group together between 10 and 20 exporters. Mr Lim had complained that competition among them had contributed to the price depression.

The unit, once established, will set uniform prices and act as the selling agent, particularly when dealing with the national buying organisations, from India for example.

# Rubber market shrugs off buffer stock buying

By Lim Siong Hoon

WHEN THE International Natural Rubber Organisation (Inro) last met in November, Mr Adolf Hofmeister, the buffer stock manager, told the Inro council that the market "fundamentals" were good.

Then, Inro's indicator prices from four markets were below the 185 Malaysian/Singapore cents a kilogram. Below that level Mr Hofmeister can buy for the stockpile and, in effect, prop up prices. He thought that unnecessary since supply and demand was, more or less, in balance.

On 31 January, two and a half months after the meeting, Mr Hofmeister bought probably between 500 tonnes and 1,000 tonnes. Prices rebounded. The small tonnage was indicative that the supply surplus was not great. So the fundamentals still seemed good.

Last week the buffer stock manager entered the market for a second time and bought an estimated five to ten times the previous volume. But once again the resulting price rise has proved temporary. This week, Inro's indicator prices have fallen back again to the levels before the purchases, with the five-day average at 183 Malaysian/Singapore cents a kilogram and the daily indicator at 182 cents.

The cause of Mr Hofmeister's frustration lies not in Malaysia, the biggest producer, but in the blossoming rubber sectors of Indonesia and Thailand. While Malaysian production was down last year by 14 per cent to 1.42m tonnes Indonesia's was nearly as much and Thailand's grew by 16 per cent to exceed 1m tonnes for the first time.

Mr Hofmeister bought, on both the occasions, the International RSS (ribbed, smoked sheet) No. 3 grade, principally a Thai product.

## WORLD COMMODITIES PRICES

### MARKET REPORT

COPPER prices closed ahead on the LME yesterday after retreating from earlier levels on profit-taking as Comex failed to maintain its early gains. The reversal of this week's declines appeared to be mainly linked to aggressive US producer buying on Comex, continuing concern over Peru and some options-related activity, traders said. Sentiment now appears fairly bullish. In contrast lead and nickel prices were in retreat. The cash premium for lead narrowed to £50.50 a tonne, but traders were still reluctant to establish short positions as the overall supply situation is expected to remain tight for several weeks. Three-month lead attracted support at £490 a tonne. Nickel closed at the day's lows on profit-taking and influential cash metal sales. Gold edged ahead on the London bullion market, tracking slightly firmer New York levels and an easier dollar in good two-way professional trading. But operators remained nervous after Monday's steep price fall. London coffee prices were mixed – the market remains perplexed by the situation regarding Brazilian exports. Concern over the political situation in the Ivory Coast remained in the background.

Compiled from Reuter

### London Markets

| SPOT MARKETS | | |
|---|---|---|
| Crude oil (per barrel FOB) | | + or - |
| Dubai | $16.45-5.55y | -.05 |
| Brent Blend | $18.26-8.29y | -.075 |
| W.T.I. (1 pm est) | $20.16-0.18y | -.07 |
| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $231-233 | +2 |
| Gas Oil | $159-161 | +1½ |
| Heavy Fuel Oil | $77-78 | +1½ |
| Naphtha | $170-172 | -1 |
| *Petroleum Argus Estimates* | | |
| Other | | + or - |
| Gold (per troy oz)♣ | $371.75 | +2.00 |
| Silver (per troy oz)♣ | 498c | +2 |
| Platinum (per troy oz) | $476.00 | -1.25 |
| Palladium (per troy oz) | $128.75 | -0.45 |
| Aluminium (free market) | $1585 | +10 |
| Copper (US Producer) | 125⅝c | +3 |
| Lead (US Producer) | 57.5c | |
| *Nickel (free market)* | 435c | |
| Tin (Kuala Lumpur market) | 17.44r | +0.20 |
| Tin (New York) | 310c | +7 |
| Zinc (US Prime Western) | 83¼c | |
| Cattle (live weight)† | 115.89p | +2.89* |
| Sheep (dead weight)† | 259.87p | +45.6* |
| Pigs (live weight)† | 97.72p | +1.26* |
| London daily sugar (raw) | $373.0w | +5.0 |
| London daily sugar (white) | $444.5w | +1.0 |
| Tate and Lyle export price | £345.0 | +3.0 |
| Barley (English feed) | £107.5z | +0.5 |
| Maize (US No. 3 yellow) | £133v | |
| Wheat (US Dark Northern) | £120t | |
| Rubber (May)♥ | 58.00p | -0.50 |
| Rubber (Jun)♥ | 58.50p | -0.50 |
| Rubber (KL RSS No 1 Apr) | 226.5m | +0.5 |
| Coconut oil (Philippines)§ | $380w | |
| Palm Oil (Malaysian)§ | $272.5z | |
| Copra (Philippines)§ | $245x | -10 |
| Soyabeans (US) | £165 | -4 |
| Cotton "A" Index | 78.85c | -0.05 |
| Wooltops (64s Super) | 572p | -6 |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Mar/Apr. t-May/Jun. v-Apr/Jun. w-Apr/May. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| May | 345.40 | 343.80 | 346.60 | 342.00 |
| Aug | 349.00 | 346.40 | 349.00 | 345.80 |
| Oct | 339.40 | 336.40 | 339.80 | 335.60 |
| Dec | 326.20 | 335.00 | 326.20 | 326.20 |
| Mar | 312.00 | 311.00 | 312.00 | 311.00 |
| May | 311.00 | 310.20 | 311.00 | 311.00 |
| Aug | 304.00 | 302.00 | 304.00 | 303.00 |
| White | Close | Previous | High/Low | |
| May | 445.0 | 444.5 | 445.5 | 442.5 |
| Aug | 438.5 | 438.0 | 440.0 | 437.0 |
| Oct | 410.5 | 411.5 | 411.5 | 409.5 |
| Dec | 398.5 | 402.0 | 401.0 | 396.5 |
| Mar | 392.5 | 395.5 | 394.0 | 391.0 |
| May | 390.5 | 394.0 | 390.5 | 389.5 |
| Aug | 388.0 | 390.4 | 388.5 | 386.0 |

Turnover: Raw 2539 (3702)lots of 50 tonnes. White 1025 (1345)
Paris- White (FFr per tonne): May 2541, Aug 2520, Oct 2361, Dec 2310, Mar 2280, May 2285

| CRUDE OIL – IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 18.31 | 18.35 | 18.31 | 18.18 |
| Jun | 18.48 | 18.50 | 18.48 | 18.34 |
| Jul | 18.56 | 18.53 | 18.56 | 18.54 |
| IPE Index | 18.37 | 18.46 | 18.37 | |

Turnover: 5174 (6566)

| GAS OIL – IPE | | | $/tonne | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 160.00 | 159.00 | 160.00 | 158.75 |
| May | 158.75 | 156.25 | 158.75 | 155.25 |
| Jun | 158.25 | 157.00 | 158.50 | 155.50 |
| Jul | 158.00 | 158.25 | 158.25 | 157.25 |
| Aug | 160.00 | 160.00 | 160.25 | 158.75 |
| Sep | 161.25 | 162.50 | 162.50 | 160.50 |
| Oct | 164.00 | 163.00 | 164.00 | 163.75 |
| Nov | 164.50 | 163.50 | 165.00 | 164.50 |
| Dec | 165.25 | 164.25 | 165.50 | 164.50 |

Turnover 4856 (6133)lots of 100 tonnes

**FRUIT AND VEGETABLES**

Citrus fruit remains superb value with oranges 8-20p each for medium fruit and 20-30p for large, (8-20p and 20-30p), reports FFVIB. Bananas 50-65p a lb (50-65p), avocados 45-80p each (45-80p), grapes 80p-£1.10 a lb depending on variety (80p-£1.40), remain good buys. Button mushrooms 60-75p a ½lb (60-75p), cups 40-70p (40-70p), and flat/open 35-55p (35-55p), remain in good supply. There is a wide variety of potatoes with white 10-18p a lb (10-16p), and pink and red 14-18p all in abundance. Chicory 90p-£1.25 (90p-£1.25) adds unusual flavour to salads and is tasty cooked and served as a side vegetable.

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 788 | 787 | 785 | 781 |
| May | 774 | 772 | 777 | 768 |
| Jul | 787 | 783 | 791 | 776 |
| Sep | 801 | 798 | 804 | 788 |
| Dec | 822 | 819 | 827 | 813 |
| Mar | 841 | 840 | 845 | 835 |
| May | 856 | 854 | 860 | 847 |

Turnover: 10690 (14795) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 28 926.70 (897.43) 10 day average for Mar 29 867.46 (862.08)

| COFFEE – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 675 | 684 | 680 | 664 |
| May | 682 | 675 | 685 | 674 |
| Jul | 655 | 663 | 676 | 652 |
| Sep | 663 | 675 | 682 | 661 |
| Nov | 680 | 690 | 693 | 676 |
| Jan | 696 | 701 | 705 | 691 |
| Mar | 710 | 713 | 717 | 706 |

turnover: 3668 (2986) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 28: Comp. daily 72.70 (71.66). 15 day average 74.61 (76.12)

| POTATOES – BFE | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Apr | 157.0 | 145.0 | 144.0 | 137.0 |
| May | 171.5 | 178.0 | 175.0 | 171.5 |
| Nov | 87.0 | 96.5 | 96.0 | |
| Apr | 143.0 | 141.0 | 141.0 | |

Turnover 317 (242) lots of 40 tonnes.

| SOYABEAN MEAL – BFE | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Apr | 132.00 | 130.75 | 130.00 | |
| Jun | 125.00 | 126.50 | 125.00 | |
| Aug | 128.00 | 126.50 | 126.00 | 124.50 |
| Dec | 135.00 | 134.50 | | |

Turnover 59 (10) lots of 20 tonnes.

| FREIGHT FUTURES – BFE | | | $10/index point | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Apr | 1539 | 1519 | 1539 | 1512 |
| Jul | 1329 | 1320 | 1330 | 1310 |
| Oct | 1416 | 1415 | 1415 | 1409 |
| Jan | 1423 | 1428 | 1428 | 1425 |
| BFI | 1532 | 1539 | 1532 | |

Turnover 398 (349)

| GRAINS – BFE | | | £/tonne | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| May | 114.15 | 112.85 | 114.60 | 113.35 |
| Jun | 116.25 | 114.95 | 116.35 | 115.60 |
| Sep | 106.75 | 106.50 | 106.50 | 106.50 |
| Nov | 110.35 | 109.60 | 110.55 | 110.25 |
| Jan | 113.85 | 114.05 | 114.05 | 113.85 |
| Mar | 117.35 | 116.50 | 117.35 | 117.00 |
| Barley | Close | Previous | High/Low | |
| May | 105.05 | 104.50 | 105.50 | 104.85 |
| Sep | 104.30 | 104.20 | 104.20 | 104.20 |
| Nov | 108.30 | 107.80 | 108.45 | 108.30 |
| Jan | 111.80 | 111.00 | 111.55 | 111.55 |
| Mar | 114.40 | 114.25 | 114.25 | 114.25 |

Turnover: Wheat 488 (204), Barley 152 (44).
Turnover lots of 100 tonnes.

| PIGS – BFE | | (Cash Settlement) p/kg | |
|---|---|---|---|
| | Close | Previous | High/Low |
| Apr | 121.8 | 121.0 | 121.0 |
| Jun | 120.5 | 120.6 | 120.0 |

Turnover 34 (22) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 13,750 tonne |
| Cash | 1587-90 | 1595-7 | 1584 | 1584-5 | | |
| 3 months | 1582-4 | 1590-2 | 1593/1577 | 1578-9 | 1584-5 | 38,817 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 50,950 tonne |
| Cash | 1620-2 | 1578-80 | 1626/1610 | 1626-7 | | |
| 3 months | 1576-7 | 1540-1 | 1580/1568 | 1582-3 | 1570-1 | 27,650 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 8,550 tonne |
| Cash | 540-5 | 580-5 | | 565-70 | | |
| 3 months | 491-5 | 496-8 | 504/490 | 495-6 | 489-90 | 9,526 lots |
| **Nickel ($ per tonne)** | | | | | | Ring turnover 1,236 tonne |
| Cash | 9150-200 | 9500-50 | 9450/9200 | 9400-10 | | |
| 3 months | 8975-9000 | 9225-50 | 9350/8950 | 9200-25 | 8950-9000 | 7,655 lots |
| **Tin ($ per tonne)** | | | | | | Ring turnover 2,210 tonne |
| Cash | 6800-10 | 6520-40 | 6800/6590 | 6590-5 | | |
| 3 months | 6670-5 | 6610-20 | 6720/6670 | 6665-70 | 6695-705 | 8,055 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Ring turnover 11,225 tonne |
| Cash | 1650-5 | 1650-5 | 1642/1641 | 1640-1 | | |
| 3 months | 1583-4 | 1574-5 | 1588/1580 | 1569-72 | 1575-80 | 16,931 lots |

LME Closing £/$ rate
SPOT: 1.6335 3 months: 1.6076 6 months: 1.5846 9 months: 1.[illegible]

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 371½-372 | 227½-228 |
| Opening | 372¼-372¾ | 228¼-228¾ |
| Morning fix | 370.75 | 227.342 |
| Afternoon fix | 371.50 | 227.486 |
| Day's high | 372¾-373¼ | |
| Day's low | 369½-370 | |

| Coins | $ price | £ equivalent |
|---|---|---|
| Mapleleaf | 380-385 | 233-236 |
| Britannia | 380-385 | 233-236 |
| US Eagle | 380-385 | 233-236 |
| Angel | 380-385 | 233-236 |
| Krugerrand | 371-374 | 227-229 |
| New Sov. | 87½-89½ | 53½-55 |
| Old Sov. | 87½-89½ | 53½-55 |
| Noble Plat | 481.70-489.35 | 295.45-300.10 |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 304.15 | 498.55 |
| 3 months | 315.80 | 507.05 |
| 6 months | 327.25 | 517.90 |
| 12 months | 350.95 | 540.85 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | May | July | May | July |
| 1500 | 99 | 115 | 12 | 33 |
| 1600 | 38 | 61 | 49 | 77 |
| 1700 | 9 | 28 | 120 | 141 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2450 | 170 | 147 | 30 | 90 |
| 2550 | 105 | 100 | 65 | 140 |
| 2650 | 59 | 64 | 118 | 203 |
| **Coffee** | **May** | **Jul** | **May** | **Jul** |
| 650 | 44 | 46 | 12 | 44 |
| 700 | 18 | 29 | 36 | 75 |
| 750 | 6 | 17 | 74 | 113 |
| **Cocoa** | **May** | **Jul** | **May** | **Jul** |
| 700 | 75 | 96 | 1 | 9 |
| 750 | 35 | 60 | 11 | 23 |
| 800 | 11 | 33 | 37 | 46 |
| **Brent Crude** | **May** | **Jun** | **May** | **Jun** |
| 1800 | 35 | 22 | 13 | 26 |
| 1850 | 8 | 35 | 33 | 45 |
| 1900 | | 17 | | 77 |

### New York

**US closing prices were not available for this edition because of the temporary widening of the UK/US time gap.**

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 370.4 | 369.1 | 372.8 | 370.0 |
| May | 373.0 | 371.6 | 373.0 | 373.0 |
| Jun | 375.8 | 374.2 | 377.9 | 375.2 |
| Aug | 381.0 | 379.0 | [illegible] | 380.4 |
| Oct | 385.5 | 383.9 | 387.5 | 385.5 |
| Dec | 391.2 | 388.8 | 392.5 | 391.0 |
| Feb | [illegible] | 393.8 | 396.0 | 396.0 |
| Jun | 405.0 | 403.7 | 408.5 | [illegible] |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 473.0 | 474.8 | 478.0 | 471.0 |
| Jul | 478.1 | 480.4 | 483.7 | 476.5 |
| Oct | 484.9 | 486.0 | 489.5 | 484.4 |
| Jan | 492.5 | 491.8 | 494.8 | 491.5 |
| Apr | 498.5 | 498.4 | 503.0 | 498.0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 498.3 | 495.5 | 501.0 | 496.5 |
| Jul | 506.5 | 503.6 | 509.0 | 504.5 |
| Sep | 515.0 | 512.0 | 517.0 | 514.0 |
| Dec | 527.0 | 523.4 | 529.0 | 524.5 |
| Mar | 538.0 | 534.8 | 540.0 | 538.5 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 123.50 | 120.50 | 123.50 | 122.50 |
| May | 118.00 | 116.50 | 119.30 | 117.10 |
| Jul | 111.10 | 110.50 | 112.50 | 110.80 |
| Aug | 108.50 | 108.40 | 108.50 | 108.50 |
| Sep | 106.80 | 106.30 | 107.60 | 106.80 |
| Dec | 102.80 | 102.80 | 104.30 | 102.80 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 20.23 | 20.08 | 20.24 | 19.97 |
| Jun | 20.50 | 20.37 | 20.52 | 20.25 |
| Jul | 20.64 | 20.52 | 20.64 | 20.40 |
| Aug | 20.64 | 20.52 | 20.64 | 20.41 |
| Sep | 20.62 | 20.52 | 20.62 | 20.40 |
| Oct | 20.65 | 20.50 | 20.65 | 20.43 |
| Dec | 20.57 | 20.46 | 20.57 | 20.34 |
| Jan | 20.55 | 20.43 | 20.55 | 20.34 |
| Feb | 20.53 | 20.40 | 20.53 | 20.53 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 5635 | 5573 | 5650 | 5565 |
| May | 6390 | 6350 | 6405 | 6300 |
| Jun | 5290 | 5260 | 5295 | 5225 |
| Jul | 5295 | 5252 | 5300 | 5230 |
| Sep | 5490 | 5442 | 5490 | 5430 |
| Oct | 5550 | 5522 | 5550 | 5510 |
| Nov | 5650 | 5602 | 5650 | 5630 |
| Dec | 5750 | 5682 | 5750 | 5700 |
| Jan | 5747 | 5702 | 5747 | 5725 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 1168 | 1164 | 1168 | 1160 |
| Jul | 1200 | 1177 | 1200 | 1167 |
| Sep | 1210 | 1190 | 1210 | 1170 |
| Dec | 1224 | 1209 | 1225 | 1197 |
| Mar | 1220 | 1226 | 1229 | 1220 |
| May | 1260 | 1240 | 1260 | 1237 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 91.00 | 90.60 | 91.80 | 89.90 |
| Jul | 92.50 | 92.45 | 93.30 | 91.45 |
| Sep | 94.50 | 94.10 | 94.90 | 93.50 |
| Dec | 96.25 | 96.24 | 97.00 | 95.75 |
| Mar | 99.00 | 98.95 | 99.00 | 99.00 |
| May | 102.00 | 99.75 | 0 | 0 |
| Jul | 103.50 | 100.66 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 15.70 | 15.59 | 15.72 | 15.47 |
| Jul | 15.70 | 15.62 | 15.71 | 15.61 |
| Oct | 15.28 | 15.20 | 15.31 | 15.10 |
| Mar | 14.25 | 14.23 | 14.26 | 14.10 |
| May | 14.00 | 14.12 | 14.03 | 14.00 |
| Jul | 13.90 | 13.97 | 0 | 0 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 71.70 | 70.63 | 71.80 | 70.85 |
| Jul | 71.90 | 70.97 | 71.95 | 71.25 |
| Oct | 66.75 | 65.70 | 66.80 | 65.95 |
| Dec | 64.70 | 64.05 | 64.90 | 64.20 |
| May | 66.00 | 65.60 | 66.00 | 65.50 |
| Jul | 66.45 | 65.75 | 66.11 | 65.67 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 196.60 | 193.95 | 198.75 | 194.30 |
| Jul | 192.80 | 188.70 | 193.00 | 189.25 |
| Sep | 188.50 | 184.00 | 188.50 | 184.40 |
| Nov | 178.60 | 176.00 | 178.00 | 176.00 |
| Jan | 175.00 | 172.00 | 174.00 | 173.00 |
| Mar | 174.00 | 171.70 | 0 | 0 |
| Jul | 174.00 | 171.70 | 0 | 0 |

**INDICES**

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Mar 29 | Mar 28 | mnth ago | yr ago |
| 1909.9 | 1905.8 | 1826.2 | 2000.4 |

| DOW JONES (Base: Dec. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| | Mar 28 | Mar 27 | mnth ago | yr ago |
| Spot | 131.76 | 131.50 | 130.97 | 136.84 |
| Futures | 130.61 | 130.30 | 131.68 | 138.24 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 592/2 | 588/6 | 594/0 | 586/0 |
| Jul | 605/4 | 602/0 | 607/2 | 601/4 |
| Aug | 610/2 | 606/2 | 611/4 | 606/4 |
| Sep | 610/0 | 605/0 | 611/0 | 607/0 |
| Nov | 615/4 | 611/4 | 616/6 | 611/4 |
| Jan | 625/4 | 620/4 | 626/4 | 621/4 |
| May | 642/0 | 638/0 | 642/0 | 638/4 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 21.82 | 21.67 | 21.94 | 21.65 |
| Jul | 22.02 | 21.86 | 22.09 | 21.77 |
| Sep | 21.75 | 21.51 | 21.75 | 21.50 |
| Oct | 21.45 | 21.26 | 21.50 | 21.30 |
| Dec | 21.30 | 21.17 | 21.38 | 21.10 |
| Jan | 21.25 | 21.10 | 21.28 | 21.10 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 170.7 | 170.3 | 171.2 | 169.8 |
| Jul | 175.0 | 174.6 | 176.5 | 173.7 |
| Aug | 176.7 | 176.7 | 177.2 | 175.6 |
| Sep | 178.8 | 178.9 | 179.0 | 177.7 |
| Oct | 180.5 | 180.5 | 180.7 | 180.0 |
| Dec | 184.0 | 184.0 | 184.5 | 183.0 |
| Mar | 189.0 | 190.7 | 0 | 0 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 260/0 | 259/2 | 260/4 | 258/2 |
| Jul | 262/6 | 261/6 | 263/2 | 261/0 |
| Sep | 257/0 | 256/6 | 257/0 | 256/2 |
| Dec | 253/4 | 252/6 | 254/2 | 252/0 |
| Mar | 259/2 | 258/2 | 259/4 | 257/4 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 352/4 | 350/0 | 353/0 | 347/0 |
| Jul | 338/2 | 337/2 | 339/0 | 335/0 |
| Sep | 345/4 | 344/0 | 345/6 | 343/4 |
| Dec | 357/4 | 356/4 | 358/4 | 356/0 |
| Mar | 364/0 | 363/0 | 364/0 | 362/4 |
| May | 370/0 | 370/0 | 370/4 | 369/4 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 77.75 | 77.72 | 77.87 | 77.57 |
| Jun | 73.15 | 73.30 | 73.30 | 73.10 |
| Aug | 72.55 | 72.80 | 72.80 | 72.50 |
| Oct | 73.87 | 73.97 | 73.87 | 73.85 |
| Dec | 73.97 | 74.25 | 74.10 | 73.90 |
| Feb | 74.00 | 74.17 | 74.10 | 73.95 |

| LIVE HOGS 30,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Apr | 52.70 | 52.85 | 53.00 | 52.65 |
| Jun | 56.87 | 57.35 | 57.40 | 56.70 |
| Jul | 56.25 | 56.67 | 56.60 | 56.10 |
| Aug | 54.20 | 54.35 | 54.42 | 54.10 |
| Oct | 48.65 | 48.87 | 48.87 | 48.52 |
| Dec | 48.50 | 48.92 | 48.95 | 48.40 |
| Feb | 47.50 | 47.90 | 47.95 | 47.50 |
| Apr | 45.70 | 45.75 | 45.70 | 45.55 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| May | 52.70 | 53.95 | 53.90 | 52.60 |
| Jul | 53.55 | 54.70 | 54.65 | 53.30 |
| Aug | 51.95 | 52.72 | 52.70 | 51.65 |
| Feb | 57.10 | 58.25 | 58.60 | 57.00 |
| Mar | 57.50 | 58.25 | 57.50 | 57.20 |

# LONDON STOCK EXCHANGE

# Special stocks feature in slow market

A SLUGGISH but by no means uneventful trading session saw the UK stock market resume its downward drift against a background of interest rate pessimism and a less optimistic trend in the UK corporate reporting season.

The leading market indices were again strongly influenced by sharp but irregular movements in a handful of big name stocks, notably Reuters, the global financial communications group, which moved to a new peak.

Equities opened firmly in response to a somewhat irregular pattern in other financial markets. The Tokyo and New York stock markets had an essentially neutral effect on London, where sterling opened easier despite the warning against over-optimism on domestic interest rates delivered by the Governor of the Bank of England.

But buyers of equities were conspicuous by their absence and share prices quickly turned down. At worst the Footsie was 15 points off when the 2,259 area appeared to provide a basis for the market. Share prices rallied narrowly and made little further response to the early fall of 13 Dow points in New York.

The FT-SE Index closed 12 points down at 2,263.0, still looking somewhat unsure of its correct place in the current trading range of 2,180 and 2,300. Traders said that once again there were no significant sellers of blue chip stocks.

Seaq volume improved to 435.2m shares from Wednesday's 359.5m but there were clear reasons behind the increased inter-dealer content of yesterday's total. At mid-morning equities were led downwards by a sudden dip in the premium on the Footsie March futures contract. This contract expires at 11.20am today and at least two leading UK securities houses were busy yesterday straightening out large bear positions taken in the Footsie futures in the wake of last week's UK Budget.

By the close, the premium on the March Footsie contract had almost achieved the parity technically necessary with the underlying Index at expiration, but traders still expect some market turbulence when the contract, and also the Footsie option, run out this morning.

The cooler tone of the corporate reporting season continued with Burton, the leading retailer, failing to excite. The news that Thorn and BET want to sell their stakes in Thames TV excited the television sector but inspired another heavy setback in Carlton Communications on market fears that it might be a buyer of the Thames TV stakes.

Another market leader on the downside was British Telecom where investors shied away from news of the abrupt departure of the group managing director, evidently as part of a wide-ranging management re-shuffle.

| Account Dealing Dates | | |
|---|---|---|
| **First Dealings:** | | |
| Mar 12 | Mar 26 | Apr 9 |
| **Option Declarations:** | | |
| Mar 22 | Apr 5 | Apr 26 |
| **Last Dealings:** | | |
| Mar 23 | Apr 6 | Apr 27 |
| **Account Day:** | | |
| Apr 2 | Apr 17 | May 8 |

*New time dealings may take place from 9.00 am two business days earlier

## Reuters hits record

A mid-session burst of strength took Reuters past the £11 level to an all-time high. It also stimulated dealers and analysts to put forward a long list of possible bullish factors behind the rise.

Most often mentioned was a large short position on Nasdaq, t.. US over-the-counter share ..ling market. This in turn was blamed on hedging against the Associated Newspapers convertible issue which is convertible into Reuters shares.

The next reason was the pending publication of a US *General Accounting Office* report on information flows in the US bond market. Reuters's rival Telerate has a near *monopoly on inter-broker* dealer prices. The report is *expected to say that no progress* has been made in efforts to widen distribution of bond prices.

Also underpinning the share price was the prospect of next Tuesday's annual presentation at Reuters's offices in London to the Investment Analysts Association, and also a detailed buy circular from Mr Brian Newman, the sector analyst at Henderson Crosthwaite, the UK brokerage house.

Mr Newman said the shares should reach 1350p by the end of the year and that profits growth would exceed 25 per cent. He added that the company's annual report, out on April 3, will include a resolution which, subject to shareholder approval, should enable Reuters to start "a modest share repurchase programme."

Reuters closed at 1119p, up 31, after above average turnover for the stock of 1m shares.

### Cellular uncertainty

Two stories unsettled British Telecom shares, which were among the market's most actively traded stocks. First, there was a report that the US Bond Investors Association had put on its "watch" list bonds issued by McCaw Cellular *of the US* after its battle to gain control of LIN Broadcasting, *another US cellular radio* group. The move indicates the *bonds' possible vulnerability*.

British Telecom acquired a *22 per cent stake in McCaw* last year, paying $41.50 a share. *Specialists said that the stock* was currently trading around the $30 level. It also was pointed out that cellular stocks dropped by some 17 per cent in January this year.

*Secondly*, BT, in announcing a reorganisation, said Mr G..ame Odgers, group managing director, would be leaving the group "by mutual consent". BT, in what was said to be an effort to improve customer services, is creating two new customer divisions, personal communications and business communications, over the next year. This, analysts said, would mean big job losses. BT fell to 282p before steadying and closing a net 4 off at 283¼p. Turnover reached 8.9m shares.

### Blow for Carlton

Carlton Communications staged its second sharp drop of the week in the wake of the decision by two of Thames TV's shareholders, BET and Thorn, to sell their stakes. The market feared that Carlton would be tempted to buy part or all of the 56 per cent holding on offer.

Analysts said that the fall was probably overdone since it seemed to assume that any share purchase would involve the issue of shares or a large cash payment. Ms Bronwen Maddox at Kleinwort Benson, for example, said that an issue of convertible stock was more likely.

Other analysts suggested that Carlton's 20 per cent stake in Central TV was also an obstacle to its taking a Thames stake. The Independent Broadcasting Authority keeps a close watch on who controls television franchise holders.

Carlton fell 42 at one point before recovering to 555p, a net decline of 33. Thames also reversed direction during the session and closed 32 up at 508p. The shares were initially weak on the prospect of a long line of stock overhanging the market, but then rose sharply on takeover hopes and consideration of the results, also published yesterday.

The market was pleased by preliminary figures from Burmah, the oil products and chemicals group. The shares closed a net 9 higher at 599p. Turnover in the stock was 798,000.

Burmah achieved net income of £96.5m, up from last year's £87.2m, and well ahead of market estimates which were in the range of £91m to £95m. The dividend total, 21.5p, against *last year's 19p, was also said to* be at the top end of expectations. Analysts moved their forecasts for the current year *higher, with BZW now going* for £101m, up from £97m.

*Another analyst said that 6.5* per cent volume growth at Castrol, "in a static lubricants *market, without sacrificing* profit margins, is a very creditable *performance* — *stories* that Castrol is ex-growth are *wide of the mark*."

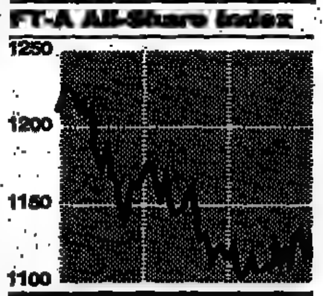
London Forfaiting, the interest rate sensitive trade finance specialist, dipped nervously awaiting annual results only to recover after reporting a sizeable annual loss. This amounted to £8.8m, compared with a profit of nearly £20m the previous year, but the market had been primed for a much larger deficit.

The blow was further softened by the chief executive's stated belief that 1990 "will be a period of recuperation" and that the company's position "will strengthen, particularly in the second half of the year." Maintenance of the dividend rate, giving a yield well into double figures, was another support.

The upshot was that the shares bounced from a day's low of 54p, a reflection of the initial nervousness combined with book-cutting by traders, to close at the session's best of 79p, up 10 on balance. London Forfaiting is a rarity, being one of few USM-listed Beta stocks. British & Commonwealth holds *40 per cent of the shares*.

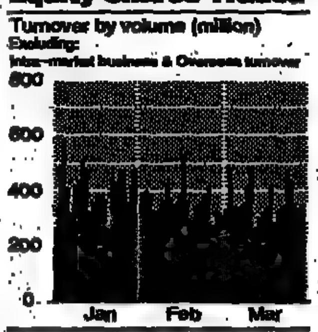
Hanson firmed against the trend *after spending $715m on* the 54.9 per cent of Peabody *Holdings not already owned*. The deal had been expected *and Hanson closed 1½ higher* at 230p.

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



*An early advance to 553p in* Standard Chartered was erased *after news emerged that the* bank was considering buying Miniscribe the beleaguered US computer group. Standard recently made an $80m provision against a $110m loan to the US group.

Heavy trade in TSB, after reports of an encouraging annual meeting, represented the closing of a large bear position, dealers said. TSB settled a shade firmer at 140½p on turnover of 4.2m shares.

S. G. Warburg was again outstanding in the merchant banks, adding 9 more to 480p, still boosted by the positive stance adopted by Kleinwort Benson.

Sun Life advanced strongly to close 25 higher at 1248p on suggestions that UAP, the French insurance group, had been adding to its 25.02 per *cent holding*.

British Aerospace added 10 *to 518p as the shares continued* to recover from recent weakness *on the prospects of strong* sales of the new Rover 400 car *produces by British Aerospace* subsidiary Rover Group. Robert Fleming securities were said to have shown an interest in the shares yesterday.

Siebe closed 9 up at 459p with Kleinwort Benson said to have been keen buyers. Mr Collin Fell at Kleinwort said: "We feel Siebe have been left behind by other quality stocks in the sector."

Molins continued higher, adding 8 to 259p following Wednesday's £75.9m hostile bid from US company Leucadia National Corporation. Heine Securities Corp, said yesterday it had reduced its holding in Molins by 1.65 per cent to 6.6 per cent. Simon Engineering were wanted, the shares rising 16 to 358p.

Dealers appreciated the news that BET planned to dispose of its 28 per cent holding in Thames Television. The shares added 2 to 234p in response on turnover of 2.7m. A marketmaker said: "There have been worries about the company's gearing but this should reduce it."

*BTR* slipped 6 to 431p with traders worried about possible legal complications over the company's proposed $1.64bn takeover of US based Norton Group.

*Brooks Service fell 32 to 125p* after the company announced *a modest improvement in profits* from £2.1m, in 1988, to *£2.3m in 1989*.

Full-year profits from shipbroker and insurers Horace Clarkson were even better than the recent sharp rises in the company's share price had suggested. Profits on the shipbroking side were 68 per cent up, although the total pre-tax figure was only 29 per cent higher at £8m. The shares added another 5 at 251p.

Redland touched 572p but *later fell back to close a net 5* off at 565p after preliminary *figures at the top end of expectations*. Worries over margins in ready mixed concrete were said to have been behind the easier trend in the stock and were also said to have prompted a sharp retreat in RMC which dropped 26 to 620p on turnover of 1.1m.

Sears continued to suffer from S. G. Warburg's caution on the stock earlier in the week. The shares shed another 2¼ to 92¼p in the busiest turnover for two months of 8.9m.

The recent strong run by Amstrad shares, triggered by visits to the company and subsequent heavy buying of Amstrad by Kleinwort Benson and James Capel, gathered momentum. The shares rose 2¼ more to 68½p on larger than usual turnover of 5.4m. The market is expecting more *profits upgrades for Amstrad* in the near future.

*The* Racal *twins suffered* from growing concern over the *cellular radio business*. Electronics dipped below the 200p level, *closing 8 off at 199p on* turnover of 3.7m, while Telecom fell 8 to 348p.

Thorn EMI fell 9 to 671p in the wake of news of the proposed sale of its 27 per cent and disappointment over the likely price is will receive for its US Systron Donner defence business.

A 44 per cent rise to £161.4m in full-year profits from Polly Peck failed to send the shares higher. A dealer said: "Good profits were already in the market. It was a case of buy the rumour sell the fact." An analyst added that the 43p fully diluted earnings per share growth was less than *expected and had contributed* to the market's weakness. The *shares ended 2 off at 393p*.

Dalgety put on 3 to 365p *following a lunch at Williams de* Broë, the broking house, where the *food manufacturer* was upbeat about potential business disposals. Dalgety said that central cost savings by any disposals would have an impact on the next financial year, which begins in July.

Pearson continued to find buyers ahead of figures today. Turnover in this thinly traded stock more than trebled to 316,000 shares compared with the levels of business earlier in the week. The price rose 6 to 691p.

Maxwell Communications issued an optimistic statement and said that its dividend for *the year to March 31 would be* not less than 8p. That figure is *a one third improvement over* the previous year but lower *than some analysts' forecasts*. The shares rose quickly, touching *188p before settling at 186p*, an improvement of 5 on the session.

Television contractors benefited from the speculation surrounding Thames. The sector has been weak in recent months on a downturn in advertising revenues. Scottish TV regained 10 at 494p and Anglia 12 at 229p, while Yorkshire closed at 236p, up 6. USM-quoted TV-am was also helped by a 19 per cent rise in year-end profits to £24m. The shares rose 13 to 183p.

LASMO traders were relieved by the appearance of *the long-awaited official statement* on its Westray well in the *North Sea. LASMO shares* have see-sawed over recent weeks as the *market* picked up whispers of, firstly, talk of a big *discovery*, and then stories that the well had technical problems or proved dry.

The statement from LASMO gave flow rates described by specialists as encouraging. Data indicated a field containing possibly 50m to 75m barrels of oil against initial estimates of as much as 400m barrels. The news was summed up by one analyst who said, "better than a week ago but worse than a month ago."

■ Other Market statistics, including the FT-Actuaries share index, Page 27

## FINANCIAL TIMES STOCK INDICES

| | Mar 29 | Mar 28 | Mar 27 | Mar 26 | Mar 23 | Year Ago | 1989/90 High | 1989/90 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 76.45 | 76.31 | 76.31 | 76.72 | 76.23 | 87.36 | 89.29 (8/2/89) | 75.91 (21/3/90) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 85.97 | 85.55 | 85.28 | 85.29 | 85.12 | 88.61 | 99.69 (15/3/89) | 85.12 (23/3/90) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1781.2 | 1793.0 | 1786.6 | 1813.5 | 1796.1 | 1688.7 | 2008.6 (5/9/89) | 1447.8 (3/1/89) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 272.3 | 274.2 | 269.8 | 273.6 | 294.9 | 190.6 | 378.5 (6/2/90) | 154.7 (17/2/89) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2263.0 | 2275.0 | 2266.2 | 2298.2 | 2283.9 | 2049.4 | 2463.7 (3/1/90) | 1782.8 (3/1/89) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 5.01 | 4.98 | 4.99 | 4.88 | 4.92 | 4.56 | | | | |
| Earning Yld %(full) | 11.67 | 11.78 | 11.60 | 11.61 | 11.69 | 11.02 | | | | |
| P/E Ratio(Net)(☆) | 10.20 | 10.26 | 10.27 | 10.44 | 10.36 | 10.98 | | | | |
| SEAQ Bargns 4.45pm | 28,000 | 25,398 | 30,883 | 28,939 | 32,781 | 36,220 | | | | |
| Equity Turnover(£m)† | - | 645.35 | 702.80 | 717.13 | 783.48 | 1305.69 | | | | |
| Equity Bargains† | - | 30,100 | 32,645 | 33,056 | 34,281 | 41,034 | | | | |
| Shares Traded (ml)† | - | 352.5 | 343.5 | 366.5 | 439.0 | 547.3 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.14

Ordinary Share Index, Hourly changes — Day's High 1793.5 — Day's Low 1779.0

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1791.3 | 1791.5 | 1791.0 | 1789.6 | 1786.0 | 1782.6 | 1782.1 | 1782.8 | 1780.1 |

FT-SE, Hourly changes — Day's High 2276.3 — Day's Low 2259.9

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2273.1 | 2274.5 | 2273.8 | 2272.8 | 2268.4 | 2263.7 | 2263.5 | 2264.9 | 2260.8 |

### GILT EDGED ACTIVITY

| Indices* | Mar 28 | Mar 27 |
|---|---|---|
| Gilt Edged Bargains | 99.0 | 99.4 |
| 5 – Day average | 99.7 | 104.6 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 1,200 | 189 | +3 |
| ASDA Group | 3,500 | 107 | -1 |
| Abbey National | 2,200 | 182 | -1 |
| Allied-Lyons | 1,700 | 455 | -7 |
| Amstrad | 5,700 | 69 | +3 |
| Anglian Water | 294 | 161½ | -2½ |
| Argyll Group | 314 | 205 | -1 |
| Ass. Brit. Foods | 134 | 390 | |
| BAA | 917 | 403 | -3 |
| BAT Inds. | 1,400 | 785 | -3 |
| BET | 2,700 | 234 | +2 |
| BICC | 242 | 441 | +1 |
| BOC | 457 | 543 | -1 |
| BPB Inds. | 1,000 | 222 | -1 |
| BTR | 2,200 | 431 | -6 |
| Brit. Aerospace | 1,100 | 518 | +10 |
| British Airways | 1,300 | 205 | -1 |
| British Gas | 4,600 | 214½ | -2½ |
| British Land | 176 | 334 | +4 |
| BP | 2,700 | 336 | -3 |
| British Steel | 4,000 | 140½ | -3 |
| British Telecom | 8,900 | 283½ | -4 |
| Bunzl | 1,200 | 86 | +1 |
| Burmah Oil | 798 | 599 | +9 |
| Burton | 4,200 | 182 | +1 |
| Cable & Wire. | 1,000 | 539 | |
| Cadburys | 351 | 314 | -2 |
| Calor Group | 133 | 381 | -2 |
| Carlton Comms. | 4,300 | 555 | -33 |
| Coats Viyella | 2,200 | 126 | -1 |
| Comm. Union | 322 | 482 | |
| Cookson | 742 | 190 | -1 |
| Courtaulds | 399 | 337 | -1 |
| Dalgety | 661 | 365 | +3 |
| Dixons | 1,700 | 122 | +1 |
| ECC Group | 443 | 384 | +2 |
| Enterprise Oil | 209 | 606 | +1 |
| FKI | 1,100 | 67 | |
| Ferranti | 1,600 | 41 | |
| Fisons | 1,900 | 335 | -1 |
| Gen. Accident | 362 | 1078 | |
| General Elect. | 3,200 | 202 | -1 |
| Glaxo | 2,000 | 778 | -6 |
| Globe Inv | 133 | 171 | |
| Glynwed Int | 1,000 | 250 | |
| Granada | 709 | 269 | +2 |
| Harrisons Cros. | 732 | 154 | -1 |
| Hawker Sidd. | 700 | 623 | -6 |
| Hillsdown | 650 | 235 | -4 |
| IMI | 100 | 225 | |
| ICI | 565 | 1107 | -9 |
| Inchcape | 41 | 282 | |
| Kingfisher | 1,900 | 266 | -3 |
| Ladbroke | 441 | 302½ | -2½ |
| Land Securities | 2,400 | 470 | -5 |
| Laporte | 88 | 594 | -1 |
| Legal & General | 221 | 277 | |
| Lloyds Abbey | 284 | 308 | -2 |
| Lloyds Bank | 661 | 300 | +3 |
| LASMO | 682 | 587 | +1 |
| Lonrho | 467 | 274 | |
| Lucas | 361 | 594 | -1 |
| MB Group | 380 | 203 | +1 |
| MEPC | 513 | 488 | -3 |
| Marks & Spencer | 3,000 | 185 | -1 |
| Maxwell Comm. | 3,400 | 186 | +5 |
| Mecca Leisure | 1,000 | 117 | |
| Midland Bank | 1,400 | 334 | -7 |
| NatWest Bank | 3,400 | 355 | +3 |
| Next | 643 | 94 | +1 |
| North West Water | 912 | 190 | -2 |
| Northern Foods | 615 | 285 | -2 |
| Northumbrian Water | 201 | 187 | +3 |
| Pearson | 316 | 691 | +6 |
| P & O | 351 | 594 | -1 |
| Pilkington | 736 | 214 | -2 |
| Polly Peck Ind. | 2,800 | 393 | -2 |
| Redland | 2,700 | 565 | -5 |
| Reed Intl. | 844 | 407 | +4 |
| Reuters | 1,000 | 1119 | +31 |
| Rolls Royce | 4,900 | 187 | |
| Rothmans | 42 | 691 | -4 |
| Ryl Bk Scotland | 906 | 186 | |
| Royal Insurance | 354 | 483 | -2 |
| STC | 482 | 251 | -3 |
| Saatchi | 5,200 | 127 | |
| Sainsbury | 1,000 | 255 | -2 |
| Scottish & New | 1,100 | 280 | -8 |
| Sears | 8,900 | 92¼ | -2¼ |
| Sedgwick | 1,300 | 245 | |
| Severn Trent Water | 528 | 133 | -3 |
| Shell Transport | 1,800 | 461 | -4 |
| Siebe | 729 | 459 | +9 |
| Slough Ests | 458 | 278 | +4 |
| Smith (W.H.) A | 169 | 296 | -4 |
| Smith & Nephew | 2,600 | 125 | -1 |
| SmKl Beecham | 3,000 | 498 | -8 |
| SmKl Beecham Units | 22 | 2295 | +1 |
| Smiths Inds. | 424 | 243 | |
| South West Water | 183 | 182 | -2 |
| Southern Water | 1,100 | 140 | +2 |
| Standard Chartd. | 1,600 | 545 | |
| Storehouse | 637 | 117 | |
| Sun Alliance | 270 | 294 | |
| Sun Life | 29 | 1248 | +25 |
| T&N | 139 | 170 | -2½ |
| TI Group | 90 | 452 | |
| TSB | 4,200 | 140½ | +½ |
| Ultramar | 339 | 368 | -1 |
| Unigate | 107 | 286 | -4 |
| Unilever | 825 | 669 | +4 |
| United Biscuits | 340 | 319 | |
| Utd. Newspapers | 257 | 345 | -1 |
| Water Package Uts. | 3 | £1528 | -12 |
| Wellcome | 212 | 712 | |
| Welsh Water | 228 | 172 | -2 |
| Wessex Water | 186 | 183 | -1 |
| Whitbread 'A' | 586 | 382 | -2 |
| Williams Hldgs. | 780 | 330 | +1 |
| Wiltis Faber | 658 | 287 | |
| Wimpey | 680 | 229 | -3 |
| Yorkshire Water | 347 | 169 | +1 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.45 pm.

## NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (15).
BANKS (1) BUILDINGS (1) STORES (1) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (2) Pentos, Schlumberger, TRANSPORT (1) TRUSTS (2) OILS (1) OVERSEAS TRADERS (1) PLANTATIONS (1) THIRD MARKET (1).
NEW LOWS (85).
AMERICANS (1) BANKS (4) BREWERS (1) BUILDINGS (6) STORES (7) ELECTRICALS (1) ENGINEERING (8) FOODS (4) HOTELS (2) INDUSTRIALS (15) AAF Inve. 7½pc, ERA 8.7pc Cm. Rd. Cv. Pf., Barlo Group, Brook Services, Cent. Sheerwood, Courtney Pope, De La Rue, High-Point, Johnson Matthey, MY Hldgs., Mayborn, Reed Exec., Select Appointments, Stormgard, Tamaris, INSURANCE (1) LEISURE (3) PAPERS (7) PROPERTY (4) TRANSPORT (1) TRUSTS (6) WATER (1) MINES (6) THIRD MARKET (5).

# APPOINTMENTS

## Chairman of Amgold

■ *Mr Nicholas Oppenheimer* has been elected by the board *of AMGOLD to succeed Mr* Julian Ogilvie Thompson as *chairman from April 21. Mr* Oppenheimer is a deputy *chairman of Anglo American* Corporation, and chairman of the Central Selling Organisation.

■ LEOPOLD JOSEPH HOLDINGS has appointed as assistant directors of Leopold Joseph & Sons: Mr Paul Tr..ssell, banking; Ms Chloe Munro, corporate finance; and Mr Robert McIntyre, treasury. Mr Graham Crawford has been promoted to senior manager (treasury).

■ AIWA (UK) has appointed Mr Hideki Tafuku as managing director from April 1. He moves from Tokyo where he was manager, European sales department, Aiwa Co. Mr Tafuku replaces Mr Keith Tubby who has left the company.

■ Mr Charles McCarthy, previously managing director *of McCain GB, has been made* deputy chairman of McCain Foods (GB) *in addition to his* post as chief executive officer *of McCAIN FOODS GROUP* GB. The group has six companies operating three french fry factories, pizza and pizza crust factories, a fish processing plant, two cheese factories, and a seed potato *growing and trading company*. Mr Allison McCain has been *promoted from deputy to* managing director of McCain *Foods* (GB). McCain headquarters is at Florenceville, Canada.

ALEXANDER STENHOUSE UK, part of the Alexander & Alexander Group, has appointed Mr Hugh Chesters *(above)* as director, schemes and affinity groups, Manchester; Mr Peter Langford has been appointed branch director, Liverpool; and Mr Jeff Hessey, branch director, Leeds.

■ Mr Nicholas Peck will join MACMILLAN as group *financial* director on April 9 in succession to Mr Geoff Todd who leaves *on April 19*. Mr Peck was financial director of *Lowe International*.

## Littlewoods caretaker chairman

■ Mr Leonard van Geest, chairman of Geest, has been appointed non-executive chairman of THE LITTLEWOODS ORGANISATION. Mr Geest, who has been a director of Littlewoods for two years, will act as caretaker chairman until a permanent successor is appointed to Mr John Clement who has resigned.

■ FKI has appointed Mr David Cairnie as managing director of FKI Communications. He was with STC Electronics Distribution.

■ CROFT & BLACKBURN, Ripon, has appointed Mr Trevor Barker as chairman. He is chairman of Micklegate.

■ Mr Derek Graham has been appointed finance director of THE BURNS-ANDERSON INDEPENDENT NETWORK. He was business development manager of Westerly.

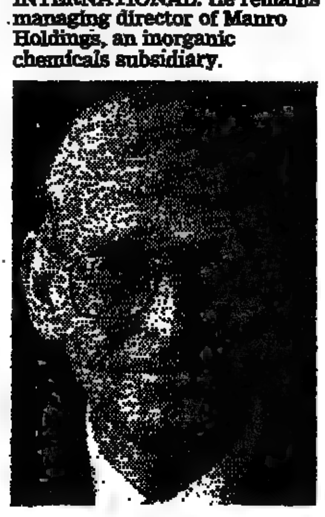
■ ANGLO UNITED has appointed Mr Roger Wallace, chief financial officer, to the board. He is finance director of the Coalite Group.

■ WPS EXPRESS has appointed Mr Brian Lawrence as managing director, replacing Mr Mac Warner who has been promoted to group *managing director of parent* company WPS Holdings.

■ Mr Graham L. Cooper has been appointed to the board of PRUDENTIAL-BACHE (FUTURES).

■ Mr John Cole has been promoted to managing director of BERRY BIRCH & NOBLE FINANCIAL SERVICES.

■ Mr Kenneth Schofield has been appointed to the board of HICKSON INTERNATIONAL. He remains managing director of Manro Holdings, an inorganic chemicals subsidiary.



Mr George Paul *(above)*, chief executive of Harrisons and Crosfield, and chairman of Pauls, has been appointed as a non-executive director to the boards of the principal companies of the NORWICH UNION GROUP.

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

## BRITISH FUNDS—Contd

Index-Linked

## INT. BANK AND O'SEAS

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Public Board and Ind.

## FOREIGN BONDS & RAILS

## AMERICANS

## AMERICANS—Contd

## CANADIANS

Continued on next page

# LONDON SHARE SERVICE

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## BANKS, HP & LEASING

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *303 | 216 | ANZ SA1 | 248 | –4 | 44c | 2.4 | 8.0 | 8.8 |
| 196 | 134 | Abbey National 10p | 192 | –1 | 5.7 | 4.3 | 4.0 | 7.8 |
| *282 | 120½ | Allied Irish Ord | 263 | ..... | [illegible]068% | 3.3 | 3.1 | 13.5 |
| £13½ | £11½ | Algemene Fl.10 | £12[illegible] | [illegible] | Q28% | 2.0 | 6.9 | 7.2 |
| *85 | 61 | Anglo Irish | 82 | –3 | Q18.7% | 2.7 | 5.4 | 11.2 |
| 81 | 57 | Ansbacher (H.) 1p | 73 | ..... | 2.5 | 1.3 | 4.6 | 21.0 |
| £72¼ | £38¼ | Bancaire Cie Fr100 | £60[illegible] | –2¼ | [illegible] | – | 2.3 | – |
| £23¼ | £17 | Banco Bilbao Viz | £17 | ..... | Q17.9% | 2.0 | 4.2 | 11.8 |
| £33 | £24¼ | Banco de Santander | £24½ | ..... | Q25% | 2.4 | 4.7 | 8.9 |
| *286 | 169 | Bank Ireland Ir£1 | 263 | ..... | [illegible] | 3.2 | 4.4 | 9.0 |
| £19½ | £17½ | Bank Leumi | £19½ | ..... | – | – | – | – |
| 350 | 320 | Bank Leumi (U.K.) | 345 | ..... | †13.5 | – | 5.2 | – |
| 125 | 88 | Bank Scotland | 119 | ..... | †3.8 | 3.6 | 4.3 | 8.6 |
| 111¼ | 90 | Do. 9¼pc Irrd Pf. | 92 | ..... | 9¼% | – | 13.4 | – |
| *67 | 49 | Bank of Wales | 52 | ..... | 2.8 | 1.6 | 7.2 | 10.9 |
| *591 | 404 | Barclays £1 | 590 | +1 | 27.4 | 3.6 | 6.2 | 5.8 |
| 31 | 16 | Benchmark 20p | 17 | ..... | 1.63 | 1.0 | 13.3 | 9.3 |
| 363 | 285 | Brown Shipley £1 | 313 | ..... | †10.5 | – | 4.5 | – |
| 455 | 325 | Cater Allen £1 | 410 | ..... | 23.5 | – | 7.6 | – |
| 259 | 149 | Chancery | 157 | +2 | †8.0 | 2.8 | 6.8 | 6.9 |
| £23½ | £14½ | Commerzbk DM10 | £22½ | +⅛ | Q18% | – | 3.0 | – |
| *£24 | £22¼ | C'hgn.Hbk.Kr100 | £24¾ | –¼ | Q15% | – | 5.6 | – |
| £16¼ | 885 | Dai Ichi KBk Y50 | 920 | –32 | [illegible]016% | 8.8 | 0.3 | 35.2 |
| *£314 | £156¼ | Deutsche Bk DM50 | £298¼ | +4[illegible] | Q29% | – | 1.7 | – |
| £22¼ | £17¾ | Espirito Santo | £19¾ | ..... | Q75c | 3.3 | 2.3 | 13.5 |
| 260 | 182 | First Nat. Fin. 10p | 223 | +1 | 13.0 | 2.4 | 7.8 | 6.9 |
| 134 | 90 | FNFC 6.3pc Cr. Pf. | 114 | –1 | 6.3% | – | 7.4 | – |
| £16½ | £12¾ | Fuji Bank Y50 | £12¾ | ..... | Q15.6% | 4.2 | 0.2 | – |
| 325 | 230 | Gerrard & National | 274 | ..... | 18.5 | – | 9.0 | – |

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INDUSTRIALS (Miscel.) – Contd.

## INSURANCES

## LEISURE

مكتبة الأصيل

# LONDON SHARE SERVICE



## MOTORS, AIRCRAFT TRADES

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £17¼ | 975 | DAF N.V. Fl5 | £11¼ | +¼ | Q50% | ♦ | 7.5 | ♦ |
| 162 | 113 | General Mtrs Units. | 146 | –1 | Q12½% | – | 5.1 | – |
| *61½ | 27 | March Group 5p..γ | 32 | ..... | ‡ | – | – | – |
| £219 | £89 | Volkswagen DM50.. | £218¾ | +4¼ | Q020% | 2.8 | 1.8 | 23.2 |
| £51 | £33½ | Volvo Kr25 | £36¾ | –¼ | Q56% | 3.1 | 3.9 | 8.3 |

### Commercial Vehicles

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *505 | 196 | ERF (Hldgs)........γ | 198 | +2 | 15.0 | 3.7 | 10.1 | 3.5 |
| *245 | 150 | Plaxton Grp..........γ | 150xd | ..... | 8.5 | ♦ | 7.6 | ♦ |

### Components

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 438 | 375 | Abbey Panels | 438 | ..... | 3.5 | 10.8 | 1.1 | 11.6 |
| 290 | 185 | Airflow Streamlines. γ | 210 | ..... | 6.0 | 4.2 | 3.8 | 8.4 |
| 208 | 143 | Bostrum 5p ....γ | 172 | +2 | 5.75 | ♦ | 4.5 | ♦ |
| 299 | 191 | Dowty 50p | 198 | –1 | 8.0 | 2.3 | 5.4 | 10.4 |
| 261 | 164 | FR Group | 168 | –1 | †5.54 | 3.7 | 4.4 | 8.3 |
| *174 | 74 | Kwik-Fit Hldgs. 10p | 80 | ..... | 2.4 | 2.8 | 4.0 | 11.9 |
| *725 | 509 | Lucas Inds. £1 | 624 | –1 | 25.0 | 2.9 | 5.3 | 7.3 |
| *62 | 12 | Spice 5p ....γ | 12 | ..... | tq1.2 | 0.4 | ‡ | – |

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## TRUSTS, FINANCE, LAND—Contd

[illegible]

### Finance, Land, etc

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Contd

| Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|
| Monument Oil 5p | 37 | –½ | – | – | – | ♦ |
| New London 5p....γ | 19½ | –¼ | – | – | – | – |
| NZ Oil & Gas NZ$0.50. | 23 | ..... | – | – | – | – |
| Norsk Hydro Kr20... | £19¼ | –⅛ | Q20% | ♦ | 2.0 | ♦ |
| North Sea Assets 5p..γ | 26 | ..... | – | – | – | – |
| Occidental Pet. 20c. | £16¾ | –⅛ | QS2.50 | – | 8.4 | – |

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

## MINES—Contd

### Miscellaneous

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 247 | 69 | Anglesey Mining 9p. γ | 145 | ..... | – | – | – |
| 166 | 18 | Do. Warrants........ γ | 70 | ..... | – | – | – |
| 32½ | 12 | Anglo-Dominion..... | 13½ | ..... | – | – | – |
| 706 | 386 | Bond Intl. Gold......... | 559 | –3 | – | – | – |
| 64 | 24 | Butte Mining 10p... γ | 28 | ..... | – | – | – |

[illegible]

## THIRD MARKET

[illegible]

| 1989/90 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *73 | 46 | Reutamaster 5p ..γ | 46 | –2 | †2.85 | 2.8 | 5.4 | 9.0 |
| 21½ | 11 | Scott Pickford 10p ..γ | 12 | ..... | d0.38 | 3.8 | 4.2 | 8.1 |
| | | For Seacon Hldgs see TRANSPORT | | | | | | |
| 51 | 25 | Sempernova.........γ | 25 | ..... | – | – | – | 5.5 |
| 39 | 20 | Sleepy Kids 5p......γ | 31 | ..... | – | – | – | – |
| *3½ | 1¼ | Swanyard Studios 1p γ | 2 | ..... | – | – | – | 9.6 |
| 50 | 25 | Tavern Leis. 20p...γ | 28 | ..... | ♦ | – | – | – |
| 115 | 28 | Tomorrows Leisure 20p γ | 78 | ..... | – | – | – | 28.9 |
| 111 | 35 | UPL Group 10p.....γ | 50 | ..... | Q2.75 | 1.9 | ♦ | 9.4 |
| 153 | 128 | Unit Group.........γ | 153 | +2 | 5.0 | 3.3 | 4.4 | 8.7 |
| 100 | 66 | Video Magic Leis. 1p γ | 77 | ..... | W2.0 | 0.7 | 3.5 | 61.7 |
| 14 | 4 | Vista Ents 5p.......γ | 4½ | ..... | – | – | – | – |
| 40 | 15 | Vizcaya Hldgs 5p..γ | 18 | +1 | – | – | – | – |
| 46½ | 23 | Wellgate Leisure 20p. γ | 37 | –½ | 0.25 | 1.7 | 0.9 | 79.2 |
| 32½ | 10 | Do. Wrnts..........γ | 21 | ..... | – | – | – | – |
| 10½ | 4¼ | Wilton Group 1p...γ | 4¼ | –¼ | – | – | – | – |

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

*Unless otherwise indicated, prices and net dividends are in pence* and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or – |
|---|---|---|
| Albany Inv 20p....γ | 80 | ..... |
| Craig & Rose £1..γ | 820 | ..... |
| Finlay Pkg. 5p....γ | 58 | +1 |
| Holt (Jos) 25p.....γ | 1340 | +3 |
| Arnotts | 459 | +5 |
| Carroll (P.J.)......γ | 170 | ..... |
| Hall (R. & H.) | 188 | ..... |
| Helton Hldgs......γ | 87 | ..... |
| IRG | 215 | ..... |
| United Drug | 268 | +3 |

### IRISH

| Stock | Price | + or – |
|---|---|---|
| Cap. 8½% Ln. 1991 | £96¼ | +¼ |
| 9pc Cap Ln. 1996 | £91¼ | +¼ |
| Fin. 13% 97/02 | £109 | +1½ |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| Stock | p |
|---|---|
| Allied-Lyons | 39 |
| Amstrad | 5½ |
| Astec (BSR) | 5½ |
| BAT | 83 |
| BOC Grp | 45 |
| BTR | 36 |
| Barclays | 49 |
| Blue Circle | 19 |
| Boots | 23 |
| Bowaters | 38 |
| Brit Aerospace | 42 |
| British Steel | 9 |
| Brit. Telecom | 25 |
| Cadburys | 27 |
| Charter Cons. | 48 |
| Comm Union | 40 |
| Courtaulds | 24 |
| Eurotunnel | 68 |
| FKI | 7 |
| FNFC | 21 |
| Gen Accident | 90 |
| GEC | 18 |
| Glaxo | 96 |
| Grand Met | 45 |
| Guardian | 19 |
| GKN | 33 |
| Hanson | 18 |
| Hawker Sidd | 55 |
| ICI | 85 |
| Ladbroke | 25 |
| Legal & Gen | 34 |
| Lex Service | 26 |
| Lloyds Bank | 22 |
| Lucas Inds | 52 |
| Marks & Spencer | 17 |
| Midland Bk | 27 |
| Nat West Bk | 35 |
| P & O Dfd | 50 |
| Polly Peck | 37 |
| Racal Elect | 19 |
| RHM | 35 |
| Rank Org Ord | 68 |
| Reed Intnl | 33 |
| STC | 20 |
| Sears | 9½ |
| SmKl. Beecham A | 46 |
| TI | 38 |
| TSB | 11 |
| Tesco | 17 |
| Thorn EMI | 61 |
| Trust Houses | 22 |
| T&N | 17 |
| Unilever | 56 |
| Vickers | 18 |
| Wellcome | 68 |

### Property

| Stock | p |
|---|---|
| Brit Land | 32 |
| Control Secs | 5 |
| Land Securities | 44 |
| MEPC | 44 |
| Mountleigh | 14 |

### Oils

| Stock | p |
|---|---|
| Aviva Petlm | 5½ |
| Brit Petroleum | 28 |
| Burmah Oil | 52 |
| Conroy Petlm | 12 |
| Gaelic Res | 4½ |
| Premier | 18 |
| Shell | 37 |
| Tuskar Res | 18 |
| Ultramar | 31 |

### Mines

| Stock | p |
|---|---|
| Lonrho | 22 |
| RTZ | 45 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

# FT UNIT TRUST INFORMATION SERVICE

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## AUTHORISED UNIT TRUSTS

### GUIDE TO UNIT TRUST PRICING

# FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262

[illegible]

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

Clerical Medical Investments Group
Narrow Plain, Bristol BS2 0JH

Equity & Law-Contd.

Guardian Royal Exchange—Contd.

Laurentian Life plc—Contd.

Merchant Investors Assurance Co Ltd—Contd.

## INSURANCES

## OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

### National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| *Life Funds* | | | | |
| Managed Cautionary | 102.8 | 108.3 | -0.2 | - |
| Managed Growth | 139.8 | 147.2 | -0.4 | - |
| Managed Opportunity | 142.7 | 150.3 | -0.3 | - |
| NFMC Target Financial | 101.5 | 106.9 | +0.7 | - |
| *Pension Funds* | | | | |
| Managed Cautionary | 107.8 | 113.5 | -0.3 | - |
| Managed Growth | 143.9 | 151.5 | -0.4 | - |
| Managed Opportunity | 144.8 | 152.5 | -0.5 | - |
| NFMC Target Mngd Pen | 1476.3 | 1554.0 | -28.5 | - |

### National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Fund | 221.2 | 232.9 | | - |
| Managed Prospect Fund | 185.7 | 195.5 | | - |
| Pens Managed | 288.5 | 303.7 | | - |
| Pens UK Equity | 334.4 | 352.0 | | - |
| Pens Overseas Equity | 411.8 | 433.5 | | - |
| Pens Property | 156.4 | 164.7 | | - |
| Pens Fixed Interest | 168.2 | 177.1 | | - |
| Pens Index Linked | 142.5 | 150.0 | | - |
| Pens Deposit | 192.4 | 202.6 | | - |
| *Harvester & P.R.P.* | | | | |
| UK Equity | 146.2 | 153.9 | | - |
| Overseas Equity | 147.4 | 155.2 | | - |
| Fixed Interest | 115.0 | 121.1 | | - |
| Property | 130.2 | 137.1 | | - |
| Index Linked | 129.4 | 136.3 | | - |
| Deposit | 133.5 | 140.6 | | - |
| Managed | 145.4 | 153.1 | | - |
| With Profits | 136.5 | 143.7 | | - |

### National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 338.7 | 356.6 | -0.5 | - |
| UK Equity | 430.3 | 453.0 | -1.7 | - |
| Overseas Eq. | 359.8 | 378.8 | +0.5 | - |
| American | 270.0 | 284.3 | -1.0 | - |
| Far East | 373.7 | 393.4 | -0.3 | - |
| Property | 220.0 | 231.6 | | - |
| Fixed Int. | 208.9 | 219.9 | +0.6 | - |
| Indexed Gilt | 135.1 | 142.3 | +0.2 | - |
| Deposit | 161.4 | 169.9 | +0.1 | - |
| *Pension Fund (Accum Units)* | | | | |
| Managed | 457.7 | 481.8 | -0.4 | - |
| UK Equity | 534.3 | 562.5 | -2.0 | - |
| Overseas Eq | 580.1 | 610.7 | +1.4 | - |
| American | 355.5 | 374.3 | -1.1 | - |
| Far East | 616.1 | 648.6 | +3.3 | - |
| Property | 270.7 | 285.0 | +0.1 | - |
| Fixed Int. | 251.5 | 264.8 | +0.6 | - |
| Indexed Gilt | 148.2 | 156.1 | +0.2 | - |
| Deposit | 217.0 | 228.5 | +0.1 | - |
| *NPI Pensions Management Ltd* | | | | |
| Managed Fund | 1049.6 | 1068.3 | | - |

Prices March 1 Next dealing April 2

### Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| *NUAM Funds* | | | | |
| Managed Fund | 64.7 | 68.1 | | - |
| Stock Market Mngd Fund | 63.6 | 67.0 | | - |
| Equity Fund | 67.5 | 71.0 | -0.1 | - |
| International Fund | 61.2 | 64.4 | +0.1 | - |
| European Fund | 73.6 | 77.4 | +0.7 | - |
| North American Fund | 59.7 | 62.9 | -0.2 | - |
| Pacific Fund | 64.9 | 68.3 | -0.2 | - |
| Property Fund | 86.5 | 91.1 | | - |
| Fixed Interest Fund | 48.9 | 51.4 | +0.1 | - |
| Index linked Sec Fund | 55.7 | 58.6 | +0.1 | - |
| Deposit Fund | 61.8 | 65.1 | | - |
| *NUAM Retirement Plans* | | | | |
| Mixed Fund | 69.9 | 73.6 | +0.3 | - |
| UK Ordinary Share Fd. | 77.9 | 82.0 | +0.3 | - |
| International Fund | 64.8 | 68.2 | +0.2 | - |
| Property Fund | 84.4 | 88.8 | +0.4 | - |
| Fixed Interest Fund | 56.8 | 59.8 | +0.2 | - |
| Index Linked Sec Fund | 58.4 | 61.5 | +0.2 | - |
| Deposit Fund | 70.4 | 74.1 | | - |
| *NUAM ORF* | | | | |
| Managed Fund | 912.5 | 960.6 | +0.1 | - |

### Providence Capital Life Assc. Co Ltd — Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Managed Initial | | 114.4 | -0.2 | - |
| Property Initial | | 166.3 | | - |
| Money Initial | | 79.5 | +0.1 | - |
| Special Market Initial | | 135.6 | +0.4 | - |
| Japan Equity Initial | | 97.1 | +1.2 | - |
| North American Initial | | 84.3 | +0.5 | - |
| Pacific Initial | | 80.2 | | - |
| Technology Initial | | 94.2 | -0.3 | - |
| Nat. Resources Initial | | 57.0 | -0.2 | - |
| European Initial | | 106.2 | | - |
| Residential Prop Init. | | 103.6 | | - |
| Swiss Equities Initial | | 35.2 | +0.1 | - |
| Hong Kong Initial | | 50.2 | | - |
| UK High Inc Eq Init. | | 67.8 | | - |
| Int Fixed Interest Init. | | 48.7 | -0.2 | - |
| Int. Managed Init. | | 56.6 | -0.3 | - |
| HIP Managed Init. | | 112.9 | -0.3 | - |
| HIP Managed II Initial | | 98.8 | | - |
| *Broker Funds* | | | | |
| High Performance | 75.6 | 79.7 | -0.2 | - |
| Towerlin Mngd Fd Acc. | 52.5 | 55.3 | -0.1 | - |
| YRA Executive Fd. | 92.5 | 97.5 | | - |
| C Global Growth Acc | 130.5 | 137.6 | | - |
| C High Income Mngd Acc. | 111.4 | 117.7 | | - |
| IM Balanced | | 55.6 | -0.3 | - |
| H.F. Specialator Fd. | | 158.9 | -0.8 | - |
| PEP Accord II | | 124.0 | -0.5 | - |
| PEP Cautionary | | 87.9 | +0.9 | - |
| AAFS Inc. Man Fund | | 120.5 | +0.6 | - |
| Andrews-Grace Inv Port. | | 101.7 | | - |
| *Individual Pension Funds* | | | | |
| UK Equity Acc. | 220.6 | 232.8 | -0.7 | - |
| UK Fixed Interest Acc. | 172.5 | 182.0 | +0.1 | - |
| Intl Equities Acc. | 251.3 | 265.1 | -2.0 | - |
| UK Managed Acc. | 180.0 | 189.8 | -0.7 | - |
| Property Acc. | 209.0 | 220.5 | | - |
| Money Acc. | 137.4 | 145.0 | +0.1 | - |
| Special Market Acc. | 273.1 | 288.1 | +1.0 | - |
| Japan Equity Acc. | 196.5 | 207.3 | +2.6 | - |
| North American Acc. | 131.8 | 139.1 | +1.1 | - |
| Pacific Acc. | 196.8 | 207.7 | -0.2 | - |
| Technology Acc. | 135.7 | 144.3 | -0.5 | - |
| Natural Resources Acc. | 112.4 | 118.6 | -0.4 | - |
| European Acc. | 141.7 | 149.5 | -0.1 | - |
| Residential Prop Acc. | 114.0 | 120.3 | | - |
| Swiss Equities Acc. | 36.4 | 38.5 | +0.1 | - |
| Hong Kong Acc. | 52.5 | 55.4 | +0.1 | - |
| UK High Inc Equ Acc. | 74.9 | 79.1 | | - |
| Int. Fixed Interest Acc. | 51.9 | 54.8 | -0.2 | - |
| Int. Managed Acc. | 60.4 | 63.7 | -0.3 | - |
| *Group Pension Funds* | | | | |
| Equity Acc. | 821.5 | 847.0 | +1.8 | - |
| Fixed Interest Acc. | 526.0 | 542.3 | | - |
| Managed Acc. | 130.9 | 133.5 | -0.3 | - |

### Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Unit Fund (Mixed) | 1027.4 | 1078.8 | +2.9 | - |
| Equity Fund | 237.3 | 249.2 | +0.5 | - |
| International Fd. | 160.2 | 168.2 | +1.7 | - |
| Fixed Interest Fd. | 145.0 | 152.3 | +0.3 | - |
| Property Fund | 224.8 | 236.0 | | - |
| Index-Linked Fund | 139.6 | 146.6 | +0.3 | - |
| Deposit Fund | 146.6 | 153.9 | | - |
| Pens. Mixed (Ord) Fd. | 245.8 | 258.1 | +0.6 | - |
| *Gold Pensions* | | | | |
| Discretionary Fund | | 119.6 | +0.3 | - |
| Equity Fund | | 120.3 | +2.3 | - |
| Fixed Interest Fund | | 104.5 | | - |
| International Fund | | 122.4 | +1.2 | - |
| Property Fund | | 136.9 | | - |
| Index-Linked Fund | | 116.6 | +0.2 | - |
| Deposit Fund | | 123.1 | +0.1 | - |
| S & F Consolidation | | 111.4 | | - |
| S & F Balanced | | 128.7 | +0.1 | - |
| S & F Maximum Growth | | 105.7 | +0.7 | - |

### Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Ord. | 326.6 | 343.8 | +0.4 | - |
| Managed Init. | 256.2 | 269.7 | +0.3 | - |
| Equity Ord. | 467.7 | 492.3 | -0.2 | - |
| Equity Init. | 366.9 | 386.2 | -0.2 | - |

### Towry Law & Co — Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Clerical & Medical (L) | 126.8 | 133.5 | +0.1 | - |
| Guardian Royal Exch. | 104.9 | 110.5 | -0.9 | - |
| M & G Ass (Life) | 124.6 | 131.0 | -0.1 | - |
| M & G Ass (Pens) | 146.6 | 154.0 | | - |
| N. M. Schroder | 102.6 | 108.0 | -0.3 | - |
| N. M. Schroder Pens. | 109.8 | 115.5 | -0.6 | - |
| Norwich Union Asst Mgt. | 59.7 | 62.9 | | - |
| Royal Life (UntLnkAnn) | 117.1 | 123.2 | | - |
| Scot Equitable (Life) | 157.4 | 165.7 | +1.1 | - |
| Scot Equitable (Pens) | 121.5 | 127.9 | +0.9 | - |
| Scot Mutual (Life) | 178.6 | 188.0 | -0.8 | - |
| Scot Mutual (Pens) | 165.1 | 173.8 | -0.7 | - |
| Scot Mutual Venture Fd | 116.2 | 122.4 | -0.6 | - |
| Prudential Holborn | 120.2 | 126.6 | -2.7 | - |

### J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Target Mngd Bond | 210.3 | 221.4 | -0.3 | - |
| Target Mngd Pension | 130.0 | 136.9 | -0.2 | - |

## OFFSHORE AND OVERSEAS

### Capital House Fund Mgrs — Contd.

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Swiss Francs | 0 | | | 48.88 | | |
| Fr Francs | 0 | | | 214.6 | | |
| Ecu's | 0 | | | 25.70 | | |

### Gartmore Fund Managers International Ltd
PO Box 278, 45 La Motte St., Jersey 0534 27535

### GUERNSEY (SIB RECOGNISED)

### MANAGEMENT SERVICES

### IoM (SIB RECOGNISED)

### LUXEMBOURG (SIB RECOGNISED)

### JERSEY (SIB RECOGNISED)

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

**Ivory & Sime (Luxembourg) SA**
13 rue Goethe L-1637 Luxembourg 010 352 4046461
Atlas Fund

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|---|---|
| Global Cap Portfolio | | $ | 2.407 | 2.554 | | 0.25 |
| United States Portfolio | | $ | 2.451 | 2.600 | | 0.55 |
| United Kingdom Portfolio | | £ | 1.088 | 1.154 | | 11.00 |
| Conti Europe Portfolio | | DM | 4.392 | 4.658 | | 0.45 |
| Enterprise Portfolio | | £ | 1.084 | 1.149 | | – |
| Japan Portfolio | | ¥ | 0.789 | 0.838 | | – |
| Pacific Portfolio | | $ | 2.655 | 2.824 | | 1.00 |
| Gold Portfolio | | $ | 2.143 | 2.272 | | 0.35 |
| UK Growth of Income | | £ | 1.171 | 1.242 | | 1.90 |
| Sterling Gilt Portfolio | | £ | 0.922 | 0.967 | | 5.00 |
| Global Bond Portfolio | | $ | 1.879 | 1.992 | | 3.50 |
| Dollar Portfolio | | $ | 2.061 | 2.062 | | 7.50 |
| Yen Portfolio | | ¥ | 0.881 | 0.882 | | 2.20 |
| Sterling Portfolio | | £ | 1.036 | 1.037 | ..... | 6.40 |

**Midland International Circuit Fund SICAV**
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37780

| | | Bid | Offer | + or - | Yield |
|---|---|---|---|---|---|
| UK Growth | £ | 1.006 | 1.0675 | | – |
| European Growth | £ | 1.061 | 1.126 | | – |
| Japan Growth | £ | 1.010 | 1.071 | | – |
| Pacific Growth | £ | 0.994 | 1.055 | | – |
| N'th American Growth | £ | 1.029 | 1.095 | | – |
| UK Fixed Interest | £ | 1.010 | 1.071 | | – |
| Multicurrency Bond | £ | 1.010 | 1.072 | | – |
| UK Stlg Liquidity | £ | 1.011 | 1.073 | | – |
| US$ Liquidity | £ | 1.027 | 1.089 | | – |

**Morgan Grenfell UT Mgrs/Deutsche Bank**
Representative for DBI, Luxembourg
20 Finsbury Circus, EC2M 2UT 01-826 0826

| | | Bid | Offer | + or - | Yield |
|---|---|---|---|---|---|
| Eurorenta | DM | 79.16 | 81.60 | +0.2 | – |
| DM Reserve | DM | 114.86 | 116.10 | +0.1 | – |
| Dollarrenta | $ | 48.31 | 49.80 | ..... | – |

**Nomura Global Fund**
UK dealing agent Nomura Int Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 8050

| | | Bid | Offer | + or - | Yield |
|---|---|---|---|---|---|
| Asia Pacific P'folio | | | $8.70 | ..... | – |

**Royal Trust Asset Mngmt Fund**
41 Avenue de la Gare L-1611, Luxembourg 352 409 061
Equity Funds

| | | Bid | Offer | + or - | Yield |
|---|---|---|---|---|---|
| Alpha UK | £ | 1.18 | | ..... | 0 |
| Alpha US | $ | 1.38 | | -0.01 | 0.00 |
| Alpha Worldwide | SFr | 4.80 | | -0.02 | 0.00 |

**NM Financial Mgmt Intl Ltd – Contd.**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Deutschmark Currency | | DM5.087 | +0.004 | 2.56 |
| Dollar Currency | | $1.018 | +0.005 | 4.91 |
| Sterling Currency | | £1.047 | +0.005 | 10.48 |
| Yen Currency | | Y201.8 | +0.500 | 1.40 |
| Managed Currency | £0.987 | 1.049 | +0.003 | 6.94 |

**Nikko Capital Mngt (Europe) Ltd.**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Japan Index Fund | Y3,485 | 3,519 | ..... | – |
| New Generation Fd. S. | $20.36 | 20.57 | ..... | – |
| Japan Index Alpha | Y11,400 | 11,572 | ..... | – |
| Jap Sector Rotation | Y8,529 | 8,650 | ..... | – |

**Stronghold Asset Mngmt (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Tech and Comm. | $13.80 | 14.64 | ..... | – |
| Pacific Basin Fd. | $110.65 | 117.66 | ..... | – |
| Western European | $18.31 | 19.58 | ..... | – |

**Tyndall International (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Capital Defender | $1.27 | 1.34 | ..... | – |
| Hi Yield Bond | 63.8 | 67.1 | -0.1 | 13.30 |
| Internat. Spec. Sits. | 49.6 | 52.2 | -0.2 | – |
| Marathon Fd | 77.9 | 81.9 | -1.2 | – |

**U.S. Treasury Securities Fund Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Short Term Shares | | $699.16 | ..... | – |
| Fixed Income Shares | | $805.16 | ..... | – |

**Wellington Fd Mngrs (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intnl Growth Fd. | $13.32 | 13.98 | ..... | – |

**Yamaichi Capital Mangmt (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Japan Meta Growth | | $11.65 | +0.08 | – |
| Yamaichi ISS Fund | | $8.19 | -0.02 | – |
| Yamaichi CB Plus Fund | | $8.53 | +0.13 | – |
| Thai Inv Fund | | $12.07 | +0.41 | – |

## JERSEY (**)

**Allied Irish Fund Managers (CI) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Sterling Currency Fd. | | £14.4598 | ..... | – |
| Managed Currency Fd. | | £34.1127 | ..... | – |
| Do Sterling Equivalent | | £21.0257 | ..... | – |
| Ecu | | Ecu12.7512 | ..... | – |
| Irish Gilt Fd. | | I£186.8120 | ..... | – |
| Intl Managed Dollar | | $29.4950 | ..... | – |
| Intl Managed Bond | | $21.1479 | ..... | – |

**Barclays Intl Funds**
Currency Funds

**Nomura Prudential Fd Pt II**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| NAV Mar 29 | $12.36 | | -0.081 | – |

**Nomura Prudential Global Portfolio**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| NAV Mar 29. | $13.94 | | +0.081 | – |

**Nomura Rosenberg Alpha Fund Mark II**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Portfolio A: NAV. | $13.30 | | .. | – |
| Portfolio B NAV. | $10.15 | | ..... | – |

**North Star Fund Managers (Cayman) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Invest Fund | DKr257.0 | 258.0 | | – |
| Low Risk Fund | DKr200.0 | 201.0 | ..... | – |
| High Perf. Fund | DKr236.0 | 237.0 | ..... | – |
| Bond Fund | DKr156.0 | 157.0 | ..... | – |

**Tyndall International (Bermuda) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| American Special Sits. | $44.91 | 47.17 | +0.17 | – |
| Capital Protection Mar 28 | $10.33 | 10.85 | .. | – |
| Commodity Mar 28 | $26.02 | 27.33 | ..... | – |
| Eurobond | $27.39 | 28.77 | -0.04 | – |
| Money Mar 28 | $34.35 | 36.07 | | 6.84 |
| Mortgage Mar 28 | C$13.73 | 14.42 | | – |
| North American | $38.03 | 39.94 | -0.01 | – |
| Overseas | $28.56 | 30.00 | -0.06 | – |
| Pacific Gold | $4.43 | 4.66 | -0.05 | – |
| Tiger | $44.79 | 47.04 | -0.08 | – |

**US Pacific Stock Fund**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| NAV Mar 29. | $16.22 | | | – |

**Unico Financial Services SA Lux**

## SWITZERLAND (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## DUBLIN (SIB RECOGNISED)

## GUERNSEY (**)

## ISLE OF MAN (**)

## LUXEMBOURG (**)

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

## Money Market Trust Funds

## Money Market Bank Accounts

**UNIT TRUST NOTES**

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Yen and D-Mark gain ground

THE DOLLAR weakened against the yen and D-Mark in quiet foreign exchange trading yesterday. Sterling gained a little ground against the dollar but declined in terms of most other major currencies. There was no marked trend however, with movements generally regarded as being technical corrections. This was particularly true of the dollar after its recent climb against the yen.

The Bank of Japan continued to intervene against the dollar, selling an estimated $500m to $600m, but it was mainly profit taking that brought the US currency down. It fell about 2 yen in Tokyo, to close at Y156.65, against Y158.70 overnight in New York. The dollar then held steady in European trading, to close in London at Y156.55, against Y158.65 on Thursday.

A report in Tokyo that the Japanese Ministry of Finance had asked institutions to curb the buying of dollar-denominated assets was denied, but it encouraged a fall from which the dollar did not recover.

A rise in West German share prices restored confidence to the D-Mark. As equity prices in Frankfurt rose to record levels, the D-Mark advanced against the dollar and other major currencies. The dollar fell to DM1.6975 from DM1.7080. It also declined to SFr1.5020 from SFr1.5135 and to FFr5.7125 from FFr5.7400. The dollar's index fell to 68.7 from 69.1.

The D-Mark also improved within the European Monetary System, noteably against the Italian lira on rumours that the Bank of Italy is considering cutting its 13½ per cent discount rate. At the London close the D-Mark had advanced to L736.50 from L734.95. The West German currency also rose in terms of the French franc, finishing in London at FFr3.3650, against FFr3.3605 previously.

There was little reaction to news that French year-on-year inflation was unchanged at 3.4 per cent in February. The D-Mark weakened against the firm yen however, falling to Y92.20 from Y92.90 in London.

There were no fresh factors to influence the dollar or sterling, but both currencies weakened against the D-Mark and yen.

The pound rose 30 points to $1.6330, but fell to DM2.7725 from DM2.7850; to Y255.75 from Y258.50; to SFr2.4525 from SFr2.4675; and to FFr9.3275 from FFr9.3575. Sterling's index declined 0.3 to 87.3.

The Australian dollar was firm, in spite of expectations that interest rates will be cut. Mr Chris Higgins, Federal Treasury Department Secretary, said there is scope for lower rates, but Australian rates will remain high in a world context. Victory for the Labor Party in the Australian general election was already discounted by the market, but there was nervousnese ahead of today's trade figures.

The February current account deficit is expected to narrow to A$1.5bn from January's figure of A$2.0bn. In London the Australian currency rose to 75.25 US cents from 74.65 cents.

### £ IN NEW YORK

| Mar.29 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6330-1.6340 | 1.6270-1.6280 |
| 1 month | 0.86-0.84pm | 0.89-0.87pm |
| 3 months | 2.60-2.57pm | 2.59-2.56pm |
| 12 months | 9.13-9.11pm | 9.14-9.17pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Mar.29 | Previous |
|---|---|---|
| 8.30 am | 87.4 | 87.4 |
| 9.00 am | 87.3 | 87.3 |
| 10.00 am | 87.4 | 87.4 |
| 11.00 am | 87.4 | 87.5 |
| Noon | 87.4 | 87.5 |
| 1.00 pm | 87.3 | 87.4 |
| 2.00 pm | 87.3 | 87.4 |
| 3.00 pm | 87.3 | 87.6 |
| 4.00 pm | 87.3 | 87.6 |

### CURRENCY RATES

| Mar.29 | Bank rate % | Special* Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.794987 | 0.737613 |
| U.S.Dollar | 7 | 1.29299 | 1.20157 |
| Canadian $ | 13.32 | 1.52010 | 1.41185 |
| Austrian Sch. | 6½ | 15.5874 | 14.3816 |
| Belgian Franc | 10½ | 45.7509 | 42.2773 |
| Danish Krone | 10½ | 8.44125 | 7.80541 |
| Deutsche Mark | 6.00 | 2.21442 | 2.04327 |
| Neth.Guilder | 7.00 | 2.49257 | 2.30029 |
| French Franc | 10¼ | 7.44474 | 6.87479 |
| Italian Lira | 13½ | 1626.48 | 1505.57 |
| Japanese Yen | 4¼ | 204.860 | 188.791 |
| Norway Krone | 8 | 8.54594 | 7.90995 |
| Spanish Peseta | - | 141.586 | 130.923 |
| Swedish Krona | 12 | 7.97854 | 7.39087 |
| Swiss Franc | 6.00 | 1.96458 | 1.81077 |
| Greek Drach. | 20½ | 212.498 | 196.457 |
| Irish Punt | - | 0.82756 | 0.763921 |

† European Commission Calculations.
* All SDR rates are for Mar.28

### CURRENCY MOVEMENTS

| Mar.29 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 87.3 | -23.9 |
| U.S.Dollar | 68.7 | -8.7 |
| Canadian Dollar | 104.2 | +1.0 |
| Austrian Schilling | 110.0 | +12.1 |
| Belgian Franc | 111.2 | -2.4 |
| Danish Krone | 110.7 | +5.1 |
| Deutsche Mark | 119.0 | +24.7 |
| Swiss Franc | 109.5 | +17.2 |
| Guilder | 114.8 | +16.5 |
| French Franc | 104.8 | -11.8 |
| Lira | 101.4 | -18.0 |
| Yen | 119.3 | +46.3 |

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100)**Rates are for Mar.28.

### OTHER CURRENCIES

| Mar.29 | £ | $ |
|---|---|---|
| Argentina | 7591.10 - 7612.10 | 4650.00 - 4660.00 |
| Australia | 2.1695 - 2.1715 | 1.3290 - 1.3300 |
| Brazil | 60.4025 - 63.7625 | 37.0000 - 39.0000 |
| Finland | 6.5465 - 6.5665 | 4.0110 - 4.0190 |
| Greece | 264.90 - 269.40 | 162.45 - 165.15 |
| Hong Kong | 12.7535 - 12.7665 | 7.8120 - 7.8140 |
| Iran | 114.00* | 70.60* |
| Korea(Sth) | 1130.45 - 1148.65 | 697.50 - 703.10 |
| Kuwait | 0.47960 - 0.48030 | 0.29480 - 0.29500 |
| Luxembourg | 57.25 - 57.35 | 35.05 - 35.15 |
| Malaysia | 4.4480 - 4.4595 | 2.7260 - 2.7280 |
| Mexico | 4531.80 - 4536.25 | 2776.00 - 2777.00 |
| N.Zealand | 2.8205 - 2.8255 | 1.7285 - 1.7310 |
| Saudi Ar. | 6.1015 - 6.1065 | 3.7500 - 3.7510 |
| Singapore | 3.0750 - 3.0820 | 1.8845 - 1.8865 |
| S. Af (Cm) | 4.3215 - 4.3325 | 2.6545 - 2.6560 |
| S. Af (Fn) | 6.3800 - 6.5070 | 3.9065 - 3.9840 |
| Taiwan | 43.10 - 43.20 | 26.40 - 26.45 |
| U.A.E. | 5.9735 - 5.9805 | 3.6720 - 3.6730 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| Mar 29 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 14¾-14⅝ | 14¾-14¼ | 15-14⅞ | 15¼-15⅛ | 15¼-15⅛ | 15⅜-15¼ |
| US Dollar | 8¼-8⅛ | 8⅞-8⅜ | 8¼-8⅞ | 8¼-8⅜ | 8⅜-8⅜ | 8⅞-8⅞ |
| Can. Dollar | 12⅞-12¾ | 12⅞-12¾ | 13⅛-12¾ | 13⅛-13 | 13⅛-13⅛ | 13⅛-13 |
| D. Guilder | 8⅛-7⅞ | 8⅛-7⅞ | 8⅛-8⅛ | 8⅜-8⅛ | 8⅝-8⅝ | 9⅛-8⅞ |
| Sw. Franc | 9⅛-9⅛ | 9⅛-9⅛ | 9⅛-9⅞ | 9⅛-9 | 9⅛-9 | 9⅛-9 |
| Deutschmark | 7⅛-7⅞ | 7⅞-7⅞ | 7⅞-7⅞ | 8⅛-8⅛ | 8⅛-8⅛ | 9-8⅞ |
| Fr. Franc | 10⅛-10 | 10⅛-10 | 10⅛-10⅛ | 10⅝-10⅛ | 10½-10⅜ | 10⅜-10⅛ |
| Italian Lira | 13-11 | 10-9 | 11¾-11⅝ | 12¼-11⅞ | 12⅞-12⅝ | 13⅛-12⅞ |
| Belgian Franc | 10⅛-10⅛ | 10⅛-10⅛ | 10⅛-10⅛ | 10⅜-10⅛ | 10⅜-10⅛ | 10⅜-10⅛ |
| Yen | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅞-7⅞ |
| D.Krone | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ |
| Asian $Sing | 8⅛-8⅛ | 8⅞-8⅜ | 8⅛-8⅛ | 8⅛-8⅛ | 8⅝-8⅜ | 8⅞-8⅞ |

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9⅜-9⅛ per cent; five years 9⅜-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### POUND SPOT- FORWARD AGAINST THE POUND

| Mar.29 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6275 - 1.6365 | 1.6325 - 1.6335 | 0.86-0.84cpm | 6.25 | 2.60-2.57pm | 6.33 |
| Canada | 1.9170 - 1.9220 | 1.9200 - 1.9210 | 0.29-0.19cpm | 1.50 | 0.78-0.66pm | 1.50 |
| Netherlands | 3.11½ - 3.13¼ | 3.11¼ - 3.12¼ | 1¾-1½cpm | 6.49 | 4⅞-4⅝pm | 6.17 |
| Belgium | 57.20 - 57.65 | 57.25 - 57.35 | 22-20cpm | 4.40 | 68-64pm | 4.61 |
| Denmark | 10.56½ - 10.61¾ | 10.58 - 10.59 | 3⅛-2⅞orepm | 3.19 | 9⅞-8⅞pm | 3.45 |
| Ireland | 1.0320 - 1.0400 | 1.0365 - 1.0365 | 0.35-0.30pm | 3.76 | 0.85-0.75pm | 3.13 |
| W. Germany | 2.76¾ - 2.78¼ | 2.77 - 2.77¼ | 1⅝-1½pfpm | 6.76 | 4⅝-4½pm | 6.58 |
| Portugal | 244.40 - 246.05 | 244.75 - 245.75 | 10-26cdis | -0.85 | 120-148dis | -2.18 |
| Spain | 177.15 - 178.15 | 177.15 - 177.45 | 39-32cpm | 2.40 | 69-51pm | 1.35 |
| Italy | 2039¾ - 2047 | 2041¼ - 2042¼ | 6-4lirepm | 2.94 | 14-12pm | 2.55 |
| Norway | 10.71 - 10.75½ | 10.72¼ - 10.73¼ | 2⅛-1⅞orepm | 2.38 | 7¾-7⅛pm | 2.82 |
| France | 9.31½ - 9.36 | 9.32¼ - 9.33¼ | 3⅝-3⅛cpm | 4.50 | 10⅝-10⅛pm | 4.50 |
| Sweden | 10.00 - 10.05¼ | 10.01¼ - 10.02¼ | ⅝-⅛orepm | 0.60 | 1⅝-1⅛pm | 0.65 |
| Japan | 255¼ - 256¼ | 255¼ - 256¼ | 1⅝-1½ypm | 7.33 | 4⅝-4½pm | 7.43 |
| Austria | 19.47 - 19.60 | 19.52 - 19.55 | 9⅛-8⅛gropm | 5.64 | 29⅛-27⅛pm | 5.85 |
| Switzerland | 2.44¾ - 2.46¼ | 2.44¾ - 2.45¾ | 1⅛-1cpm | 5.20 | 3⅛-3⅛pm | 5.61 |
| ECU | 1.3535 - 1.3590 | 1.3580 - 1.3590 | 0.56-0.53cpm | 4.81 | 1.56-1.51pm | 4.52 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.03-4.98cpm 12 month 9.20-9.10cpm

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

| Mar.29 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6275 - 1.6365 | 1.6325 - 1.6335 | 0.86-0.84cpm | 6.25 | 2.60-2.57pm | 6.33 |
| Ireland† | 1.5670 - 1.5770 | 1.5760 - 1.5770 | 0.39-0.35cpm | 2.82 | 1.40-1.30pm | 3.43 |
| Canada | 1.1725 - 1.1775 | 1.1735 - 1.1745 | 0.45-0.49cdis | -4.79 | 1.44-1.49dis | -4.98 |
| Netherlands | 1.9075 - 1.9235 | 1.9105 - 1.9115 | 0.01d-0.01cpm | - | 0.05-0.10dis | -0.47 |
| Belgium | 35.05 - 35.30 | 35.05 - 35.15 | 2.00-4.00cdis | -1.02 | 10.00-20.00dis | -1.71 |
| Denmark | 6.47¾ - 6.52 | 6.48 - 6.48½ | 1.60-1.80oredis | -3.15 | 4.45-5.00dis | -2.92 |
| W. Germany | 1.6935 - 1.7070 | 1.6970 - 1.6980 | 0.08-0.06pfpm | 0.90 | 0.12-0.09pm | 0.25 |
| Portugal | 150.00 - 150.30 | 150.05 - 150.15 | 83-93cdis | -7.04 | 318-333dis | -8.60 |
| Spain | 108.40 - 109.30 | 108.60 - 108.70 | 35-40cdis | -4.14 | 133.00-142.00 | -5.06 |
| Italy | 1247 - 1256 | 1250 - 1250½ | 2.50-4.50liredis | -3.36 | 10.00-13.00dis | -3.68 |
| Norway | 6.56½ - 6.59½ | 6.56¾ - 6.57¼ | 2.00-2.40oredis | -4.02 | 5.50-6.30dis | -3.59 |
| France | 5.70 - 5.74 | 5.71 - 5.71½ | 0.82-0.87cdis | -1.78 | 2.60-2.70dis | -1.89 |
| Sweden | 6.13 - 6.15½ | 6.13½ - 6.13¾ | 2.80-3.05oredis | -5.72 | 8.70-9.40dis | -5.98 |
| Japan | 156.30 - 157.45 | 156.50 - 156.60 | 0.15-0.13ypm | 1.07 | 0.42-0.39pm | 1.03 |
| Austria | 11.94½ - 12.00¼ | 11.94½ - 11.95 | 0.40-0.85grodis | -0.63 | 1.00-2.40dis | -0.57 |
| Switzerland | 1.4980 - 1.5120 | 1.5015 - 1.5025 | 0.11-0.15cdis | -1.04 | 0.27-0.34dis | -0.81 |
| ECU | 1.1985 - 1.2055 | 1.2035 - 1.2045 | 0.15-0.14cpm | 1.45 | 0.56-0.54pm | 1.83 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Mar.29 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.1679 | 42.2773 | +0.26 | +0.26 | ±1.5308 |
| Danish Krone | 7.79845 | 7.80541 | +0.09 | +0.09 | ±1.6453 |
| German D-Mark | 2.04446 | 2.04327 | -0.06 | -0.06 | ±1.1762 |
| French Franc | 6.85684 | 6.87479 | +0.26 | +0.26 | ±1.3618 |
| Dutch Guilder | 2.30358 | 2.30029 | -0.14 | -0.14 | ±1.5272 |
| Irish Punt | 0.763159 | 0.763921 | +0.10 | +0.10 | ±1.6689 |
| Italian Lira | 1529.70 | 1505.57 | -1.58 | -1.58 | ±1.5162 |
| Spanish Peseta | 132.889 | 130.923 | -1.48 | -1.48 | ±4.2705 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| Mar.29 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.633 | 2.773 | 255.8 | 9.328 | 2.453 | 3.120 | 2042 | 1.921 | 57.30 |
| $ | 0.612 | 1 | 1.698 | 156.6 | 5.712 | 1.502 | 1.911 | 1250 | 1.176 | 35.09 |
| DM | 0.361 | 0.589 | 1 | 92.25 | 3.364 | 0.885 | 1.125 | 736.4 | 0.693 | 20.66 |
| YEN | 3.909 | 6.384 | 10.84 | 1000. | 36.47 | 9.590 | 12.20 | 7983 | 7.510 | 224.0 |
| F Fr. | 1.072 | 1.751 | 2.973 | 274.2 | 10. | 2.630 | 3.345 | 2189 | 2.059 | 61.43 |
| S Fr. | 0.408 | 0.666 | 1.130 | 104.3 | 3.803 | 1 | 1.272 | 832.5 | 0.783 | 23.36 |
| H Fl. | 0.321 | 0.523 | 0.889 | 81.99 | 2.990 | 0.786 | 1 | 654.5 | 0.616 | 18.37 |
| Lira | 0.490 | 0.800 | 1.358 | 125.3 | 4.568 | 1.201 | 1.528 | 1000. | 0.941 | 28.06 |
| C $ | 0.521 | 0.850 | 1.444 | 133.2 | 4.856 | 1.277 | 1.624 | 1063 | 1 | 29.83 |
| B Fr. | 1.745 | 2.850 | 4.839 | 446.4 | 16.28 | 4.281 | 5.445 | 3564 | 3.353 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX

POUND-$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.6330 | 1.6245 | 1.6072 | 1.5830 | 1.5435 |

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POOR'S 500 INDEX; PHILADELPHIA SE £/$ OPTIONS; IMM-STERLING $s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Jun | 1.6180 | 1.6124 | 1.6004 | 1.6044 |
| Sep | 1.5800 | 1.5880 | 1.5820 | 1.5798 |

PARIS

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF)

| | Open | Close | Change | High | Low | Yield | Open int. |
|---|---|---|---|---|---|---|---|
| June | 89.58 | 89.61 | +0.09 | 89.64 | 89.57 | 10.39 | 16,517 |
| September | 89.52 | 89.54 | +0.07 | 89.57 | 89.52 | 10.45 | 5,935 |
| December | 89.45 | 89.50 | +0.10 | 89.52 | 89.48 | 10.50 | 2,936 |
| March | - | - | - | - | - | - | - |

Estimated volume 12,422 Total Open Interest 25,388

CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open int. |
|---|---|---|---|---|---|---|
| March | 1925.0 | 1950.0 | +5.0 | 1957.0 | 1946.0 | 3,458 |
| April | 1956.0 | 1952.0 | +5.5 | 1960.0 | 1949.0 | 3,460 |
| May | 1958.0 | 1954.0 | +6.0 | 1958.0 | 1954.0 | 227 |
| June | 1951.0 | 1951.0 | +6.0 | 1951.0 | 1951.0 | 37 |

Estimated volume 4,626 Total Open Interest 7,182

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 15 | Co-operative Bank | *15 | NatWestminster | 15 |
| Adam & Company | 15 | Coutts & Co | 15 | Northern Bank Ltd | 15 |
| Allied Trust Bank | 15 | Cyprus Popular Bk | 15 | Norwich Gen. Trust | 15 |
| Allied Irish Bank | 15 | Dunbar Bank PLC | 15 | Nykredit Mortgage Bank | 15½ |
| ● Henry Ansbacher | 15 | Duncan Lawrie | 15 | PRIVATbanken Limited | 15 |
| Associates Cap Corp | 15½ | Equatorial Bank plc | 15 | Provincial Bank PLC | 16 |
| ● B & C Merchant Bank | 15 | Exeter Trust Ltd | 15½ | Roxburghe G'rantee | 15½ |
| Bank of Baroda | 15 | Financial & Gen. Bank | 15 | Royal Bk of Scotland | 15 |
| Banco Bilbao Vizcaya | 15 | First National Bank Plc. | 16½ | Royal Trust Bank | 15 |
| Bank Hapoalim | 15 | ● Robert Fleming & Co. | 15 | ● Smith & Williamson Secs. | 15 |
| Bank Credit & Comm | 15 | Robert Fraser & Ptns. | 15½ | Standard Chartered | 15 |
| Bank of Cyprus | 15 | Girobank | 15 | TSB | 15 |
| Bank of Ireland | 15 | ● Guinness Mahon | 15 | ● United Bk of Kuwait | 15 |
| Bank of India | 15 | HFC Bank plc | 15 | United Mizrahi Bank | 15 |
| Bank of Scotland | 15 | ● Hambros Bank | 15 | Unity Trust Bank Plc | 15 |
| Banque Belge Ltd | 15 | Hampshire Trust Plc | 15½ | Western Trust | 15 |
| Barclays Bank | 15 | Heritable & Gen Inv Bnk. | 15 | Westpac Bank Corp. | 15 |
| Benchmark Bank PLC | 15 | ● Hill Samuel | §15 | Whiteaway Laidlaw | 15 |
| Brit Bk of Mid East | 15 | C. Hoare & Co. | 15 | Yorkshire Bank | 15 |
| ● Brown Shipley | 15 | Hongkong & Shangh | 15 | | |
| CL Bank Nederland | 15 | ● Leopold Joseph & Sons | 15 | | |
| ● Charterhouse Bank | 15 | Lloyds Bank | 15 | | |
| Citibank NA | 15 | Meghraj Bank Ltd | 15 | | |
| City Merchants Bank | 15 | McDonnell Douglas Bnk. | 15 | | |
| Clydesdale Bank | 15 | Midland Bank | 15 | | |
| Comm. Bk N. East | 15 | Mount Banking | 15 | | |
| | | Nat Bk. of Kuwait | 15 | | |

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## MONEY MARKETS

# Subdued trading

THE MOOD on the London money market remained calm yesterday. Three-month sterling interbank eased to 15¼-15⅛ per cent from 15⅜-15¼, while one-year funds were steady at 15⅜-15¼ per cent.

Trading in short sterling futures on Liffe remained subdued, lacking the incentive of any likely change in UK bank base rates in the foreseeable future. On Wednesday, Mr Robin Leigh-Pemberton, Governor of the Bank of England, warned that rates would probably remain high, but he was reasonably optimistic that there would be no further increase, unless sterling comes under pressure.

**UK clearing bank base lending rate 15 per cent from October 5**

June short sterling opened slightly firmer at 84.77, and held within a narrow range to close at the day's high of 84.78, against 84.76 previously.

Day-to-day credit was in reasonably good supply on the money market. The Bank of England forecast a shortage of £200m but revised this to £100m in the afternoon. The authorities did not operate in the bill market, but provided late assistance of around £100m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £311m, with a rise in the note circulation absorbing £120m, and bank balances below target £185m. These outweighed Exchequer transactions adding £425m to liquidity.

In Tokyo interest rates eased as sentiment was helped by an improvement of the yen on the foreign exchanges. Overnight secured call money fell to 6¾ per cent from 6⅞, despite action by the Bank of Japan to drain liquidity from the money market.

In Frankfurt call money fell to around 7.30 per cent from 7.45 as banks were well supplied with funds towards the month-end. The slide in the call rate took it down to the level that the Bundesbank absorbs surplus liquidity by selling three-day Treasury bills at 7.30 per cent. At yesterday's meeting of the Bundesbank council credit policies remained unchanged, with the discount rate at 6 per cent and the Lombard rate at 8 per cent.

In Amsterdam the Dutch Central Bank cut its special advances rate to 8.1 per cent from 8.2, when injecting liquidity into the money market via four-day funds. The move was seen as a response to lower money market rates and a steady performance by the guilder against the D-Mark.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Mar.29) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 8⅝ | offer 8¾ | bid 8⅝ | offer 8⅝ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime) — Treasury Bills and Bonds

| | | | | | |
|---|---|---|---|---|---|
| Prime rate | 10 | One month | 7.39 | Three year | 8.62 |
| Broker loan rate | 9¼ | Two month | 7.91 | Four year | 8.58 |
| Fed.funds | 8⅝ | Three month | 8.30 | Five year | 8.58 |
| Fed.funds at intervention | 8¼ | Six month | 8.26 | Seven year | 8.63 |
| | | One year | 8.34 | 10-year | 8.56 |
| | | Two year | 8.59 | 30-year | 8.53 |

| Mar 29 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.20-7.35 | 8.00-8.15 | 8.05-8.20 | 8.20-8.35 | 8.60-8.75 | 8.00 |
| Paris | 10⅛-10⅜ | 10⅜-10⅜ | 10⅜-10⅝ | 10⅜-10⅝ | 10⅜-10⅝ | 10.00 |
| Zurich | 8⅝-8⅝ | 8⅝-9⅛ | - | 8⅝-9⅛ | - | - |
| Amsterdam | 8.06-8.18 | 8.25-8.35 | - | 8.47-8.57 | - | - |
| Tokyo | 6⅞-6⅞ | 7⅞-7⅞ | - | 7⅞-7⅞ | - | - |
| Milan | 12⅞-13 | 12⅞-12⅞ | - | 12⅞-13⅛ | - | - |
| Brussels | 10.00 | 10⅜-10⅜ | - | 10⅜-10⅜ | - | - |
| Dublin | 10⅝-10⅞ | 11⅞-11⅞ | 12-12⅛ | 12⅛-12⅛ | 12⅛-12½ | - |

### LONDON MONEY RATES

| Mar 29 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 14¾ | 14¾ | 15⅛ | 15¼ | 15⅜ | 15⅜ |
| Interbank Bid | 13 | 14¾ | 14⅞ | 15⅛ | 15⅛ | 15¼ |
| Sterling CDs | - | - | 15 | 15⅛ | 15⅛ | 15⅛ |
| Local Authority Deps. | 14½ | 14¾ | 14¾ | 15⅛ | 15⅛ | 15⅛ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 14⅞ | 14¾ | 14⅞ | 14⅞ | - | - |
| Company Deposits | - | - | 15 | 15⅛ | 15½ | 15½ |
| Finance House Deposits | - | - | 15 | 15⅛ | 15⅛ | 15⅛ |
| Treasury Bills (Buy) | - | - | 14⅞ | 14⅞ | - | - |
| Bank Bills (Buy) | - | - | 14⅞ | 14⅞ | 14⅞ | - |
| Fine Trade Bills (Buy) | - | - | 15⅛ | 15⅛ | 14⅞ | - |
| Dollar CDs | - | - | 8.35 | 8.40 | 8.57 | 8.83 |
| SDR Linked Dep. Offer | - | - | 9⅛ | 9⅛ | 9⅛ | 9⅛ |
| SDR Linked Dep. Bid | - | - | 9 | 9⅛ | 9⅛ | 9⅛ |
| ECU Linked Dep. Offer | - | - | 9⅞ | 10⅛ | 10⅛ | 11 |
| ECU Linked Dep. Bid | - | - | 9⅞ | 10⅛ | 10⅛ | 10⅞ |

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3498 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 1990. Agreed rates for period March 26 1990 to April 24, 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.41 p.c. Reference rate for period Feb.1,1990 to February 28, 1990, Scheme IV&V: 15.141 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from March 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.





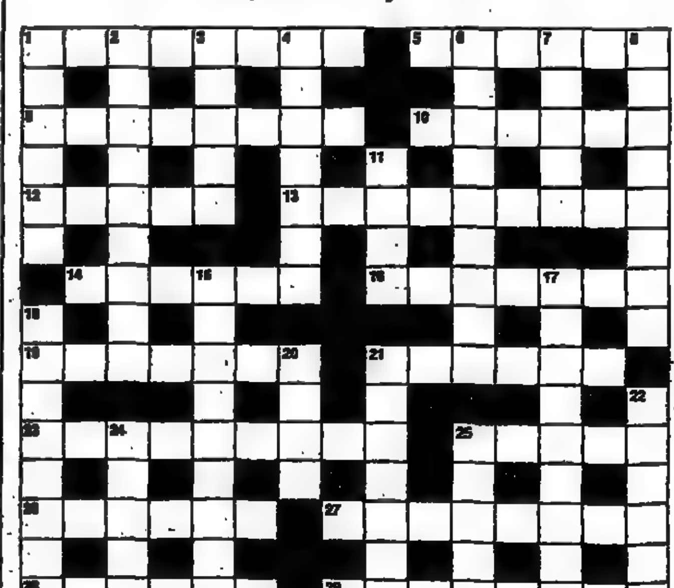




JOTTER PAD

## CROSSWORD

No.7,202 Set by VIXEN



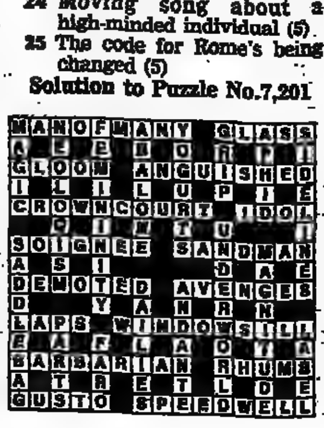
**ACROSS**

1 The man at the bank interested in liquid assets (8)
5 Enthusiasm for strong drink? (6)
9 New World camera in regular use (8)
10 A writer's alternative source (6)
12 The deep love shown by church article (5)
13 Scientific device to swindle the less astute (9)
14 Wickedly lively broadcast (6)
16 An Irish guy takes cereal food without end (7)
19 Certain sightless people have acute perception (7)
21 A key in gold – quite ancient (3-3)
23 Rendered intoxicated (9)
25 Could possibly appear in force (5)
26 Island race in trouble with a conqueror (6)
27 Access will do nicely here (8)
28 Being a listener, Edward's made! (6)
29 Deferential, yet sees the French dream slashed (8)

**DOWN**

1 Sound mind – but so near madness (6)
2 Keeps quiet over books (9)
3 "To — is worth ambition though in hell" (Milton) (5)
4 Cunning in no matter what form of lawlessness (7)
6 Stick with bluish grey coating always (9)
7 Fishing tackle that lands the right fish (5)
8 A lot rent accommodation, and all for freedom (8)
11 Upside-down cakes to be cut (4)
15 University man who's come down somewhat dispirited (5,4)
17 Continental coach industry (9)
18 Lose one's small change, pounds, in a club (8)
20 A time for style (4)
21 Rather slow, neat, and affected (7)
22 In spring this tree transforms a road (6)
24 Moving song about a high-minded individual (5)
25 The code for Rome's being changed (5)

Solution to Puzzle No.7,201



# WORLD STOCK MARKETS

## CANADA

TORONTO
2pm prices March 29

## INDICES

### NEW YORK DOW JONES

| | Mar 28 | Mar 27 | Mar 26 | Mar 23 | 1989/90 HIGH | 1989/90 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ◊Industrials | 2743.69 | 2736.94 | 2707.66 | 2704.28 | 2810.15 (2/1/90) | 2144.64 (3/1/89) | 2810.15 (2/1/90) | 41.22 (2/7/32) |
| Home Bonds | (u) | 90.90 | 90.74 | 90.63 | 94.15 (2/8/89) | 87.35 (23/3/89) | — | — |
| Transport | 1189.90 | 1192.57 | 1175.85 | 1170.87 | 1532.01 (5/9/89) | 959.95 (3/1/89) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 214.66 | 215.04 | 213.34 | 213.72 | 236.23 (2/1/90) | 181.84 (24/2/89) | 236.23 (2/1/90) | 10.50 (8/4/32) |

◊Day's High 2755.63 (2738.96) Low 2716.22 (2691.89)

### STANDARD AND POOR'S

| | Mar 28 | Mar 27 | Mar 26 | Mar 23 | 1989/90 HIGH | 1989/90 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 342.00 | 341.50 | 337.65 | 337.22 | 359.80 (9/10/89) | 275.31 (3/1/89) | 359.80 (9/10/89) | 4.40 (1/6/32) |
| Industrials | 396.81 | 396.48 | 391.94 | 391.34 | 411.20 (2/1/90) | 318.66 (3/1/89) | 411.20 (2/1/90) | 3.62 (21/6/32) |
| Financial | 28.20 | 28.06 | 27.84 | 27.83 | 35.24 (9/10/89) | 24.30 (3/1/89) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 187.77 | 187.40 | 185.60 | 185.45 | 199.34 (9/10/89) | 154.98 (3/1/89) | 199.34 (9/10/89) | 4.46 (25/4/42) |
| Amex Mkt. Value | 361.23 | 361.88 | 361.31 | 361.61 | 397.03 (10/10/89) | 305.24 (3/1/89) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 436.69 | 439.50 | 438.84 | 437.25 | 485.73 (9/10/89) | 378.56 (3/1/89) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Mar 23 | Mar 16 | Mar 9 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 4.06 | 4.00 | 4.08 | 3.78 |

| | Mar 21 | Mar 14 | Mar 7 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.05 | 3.09 | 3.09 | 3.13 |
| S & P Indl. P/E ratio | 14.97 | 14.80 | 14.74 | 13.17 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Am Gen | 4,270,500 | 40⅛ | + 3¼ |
| Schlumberger | 2,550,500 | 52⅞ | + 2 |
| Amax | 2,183,100 | 28⅝ | + 2⅛ |
| Circle K | 1,769,400 | 1½ | - ⅛ |
| Philip Morris | 1,744,700 | 40⅛ | + ⅛ |
| Am Express | 1,737,800 | 26⅛ | - ⅛ |
| JP Ind | 1,546,200 | 16⅞ | — |
| IBM | 1,453,300 | 105⅞ | + 1⅛ |
| Manfc. Hanover | 1,448,600 | 33½ | - ⅛ |
| Am T & T | 1,394,600 | 42⅞ | + ⅛ |

### TRADING ACTIVITY

| † Volume (Millions) | Mar 28 | Mar 27 | Mar 26 |
|---|---|---|---|
| New York | 143.244 | 131.610 | 116.110 |
| Amex | 9.927 | 11.038 | 10.000 |
| NASDAQ | 132.692 | 106.915 | 96.276 |
| Issues Traded | 1,972 | 1,951 | 1,968 |
| Rises | 700 | 903 | 829 |
| Falls | 720 | 542 | 652 |
| Unchanged | 552 | 506 | 487 |
| New Highs | 22 | 22 | 33 |
| New Lows | 47 | 40 | 39 |

### CANADA TORONTO

| | Mar 28 | Mar 27 | Mar 26 | Mar 23 | 1989/90 HIGH | 1989/90 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3174.90 | 3170.70 | 3156.20 | 3178.20 | 3919.2 (1/9/89) | 2921.03 (23/2/90) |
| Composite | 3677.40 | 3678.50 | 3667.50 | 3701.50 | 4037.8 (6/10/89) | 3350.5 (6/1/89) |
| MONTREAL Portfolio | 1901.23 | 1898.79 | 1891.81 | 1900.19 | 2069.68 (10/10/89) | 1677.48 (3/1/89) |

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Thursday March 29 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Hitachi | 57.1m | 1,640 | +40 |
| NEC | 39.7m | 2,170 | +30 |
| Sato Kogyo | 24.7m | 2,340 | -10 |
| Mitsubishi Ele | 17.8m | 1,000 | +50 |
| Toshiba | 17.6m | 1,130 | +30 |
| Fujitsu | 16.6m | 1,590 | -30 |
| Canon | 13.2m | 1,730 | +90 |
| Nippon Steel | 12.7m | 552 | -5 |
| Sharp | 12.1m | 1,880 | +40 |
| Matsushita Ec Id | 11.8m | 2,290 | +40 |

*2pm prices March 29*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A–A–A – | | | | | | | | |
| 37½ | 26 | AAR | .48 | 1.6 | 16 | 109 | 29¾ | 29½ | 29⅝ | |
| 9⅞ | 8½ | ACM n | 1.01 | 11. | | 275 | 9⅛ | 9 | 9⅛ | + ⅛ |
| 11⅝ | 10½ | ACMIn | 1.26 | 11. | | 329 | 11 | 10⅞ | 11 | + ⅛ |
| 9¾ | 7¾ | ACM M | m1.01 | 12. | | 326 | 8⅛ | 8 | 8⅛ | + ⅛ |
| 12¼ | 11⅜ | ACMMM | | | | 383 | 11⅝ | 11½ | 11⅝ | |
| 11½ | 10 | ACM Sc | 1.26 | 12. | | 569 | 10⅞ | 10⅝ | 10⅝ | |
| 9⅜ | 8¼ | ACMSp | 1.01 | 12. | | 474 | 8⅞ | 8⅞ | 8⅞ | |
| 22⅝ | 13 | AL Lab | .16 | .7 | 21 | 188 | 21⅞ | 21⅝ | 21⅞ | – ⅛ |
| 4⅛ | 3⅛ | AMCA | .12e | 3.6 | 39 | 20 | 3⅜ | 3⅜ | 3⅜ | – ⅛ |
| 6½ | 3 | AM Ind | | | 10 | 689 | 3⅛ | d 2⅞ | 3 | – ⅛ |
| 23½ | 16⅛ | AM In pf | 2 | 12. | | 11 | 16⅞ | 16⅝ | 16⅞ | + ⅛ |
| 107¼ | 52½ | AMR | | | 9 | 1675 | 66⅝ | 65½ | 65¾ | – 1 |
| 24⅞ | 23¼ | ANR pf | 2.12 | 8.8 | | 1 | 24 | 24 | 24 | – ⅛ |
| 5⅛ | 3⅛ | ARX | | | | 78 | 3⅝ | 3½ | 3⅝ | + ⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |


Continued on Page 47

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## NYSE COMPOSITE PRICES

Continued from previous Page

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## NASDAQ NATIONAL MARKET

1pm prices March 29

[illegible]

## AMEX COMPOSITE PRICES

1pm prices March 29

[illegible]

AMERICA

# Dollar's decline undermines Dow

### Wall Street

*A SHARP fall in the dollar and* in Treasury bonds undermined stocks yesterday morning, *writes Janet Bush in New York.*

At 1 pm, the Dow Jones Industrial Average was 15.31 lower at 2,728.38 on thin volume of 79m shares by midsession. On Wednesday, the Dow had risen 6.75.

At one stage in the morning, the Dow stood more than 20 points lower. The index then attempted to rebound, but a *bout of selling related to stock* index arbitrage capped this recovery.

The dollar fell sharply from its recent highs against the Japanese yen in Far East trading, on profit-taking encouraged by intervention by the Bank of Japan and the US Federal Reserve. The US currency dropped overnight and then stabilised in New York.

One factor contributing to profit-taking in the dollar was press coverage in the US suggesting that the US Administration was putting pressure on the Fed to lower interest rates, as well as unconfirmed rumours that the Japanese Finance Ministry had asked Japanese insurers to restrict their dollar investments.

The US Treasury bond market slumped in line with the dollar, the strength of which has provided considerable support in recent weeks. At midsession, the Treasury's benchmark long bond was ⅞ point *lower to yield 8.55 per cent.*

Treasuries were also put under mild pressure by news of a 0.9 per cent rise in personal income in February and a gain of 0.4 per cent in personal consumption spending. These gains compared with the Wall Street consensus of rises of 0.8 per cent and 0.3 per cent.

The over-the-counter market was weak again yesterday with the Nasdaq Composite index 1.79 lower at 434.90 at midsession.

The nervousness in the OTC market centres on technology stocks, many of which are traded in this market, after disappointing results on Wednesday from Oracle, which recovered some of Wednesday's loss yesterday to stand $¾ higher at $18¼.

Late on Wednesday, Chips & Technologies announced that its third quarter profits would be significantly below the 57 cents a share that it reported in the second quarter, which ended on December 31. Chips & Technologies fell $1¼ to $18½ at midsession yesterday.

Among other technology issues traded over-the-counter, Apple Computer lost $¼ to $41 and MCI Communications was unchanged at $37⅝.

Among featured issues traded on the New York Stock Exchange, American General dipped $⅝ to $39⅝ after it filed a suit to block a hostile bid from Torchmark. Torchmark has offered to acquire American General for cash and stock valued at $50 a share; the law suit seeks to prevent it from soliciting proxies to win seats on American General's board. Torchmark dropped $1⅝ to $45¼.

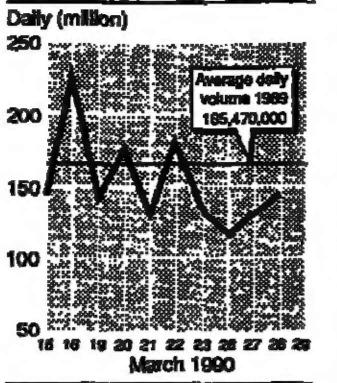
US Shoe fell $⅞ to $20 after announcing net income in the quarter ended February 3 of 52 cents, which was below analysts' expectations.

Curtiss-Wright added $1⅝ to $65¼ on continuing speculation that the company may be a takeover target. The rumours started when the company's chairman and president died earlier this month.

Bairnco dropped $2⅞ to $10⅝ after the company said that its auditors would modify their report on its 1989 results *because of uncertainties about* the potential financial impact of asbestos-related claims.

National Medical Enterprises added $1⅛ to $32⅛ after reporting net income of 77 cents a share for the fiscal quarter ended February 28, up from 67 cents a year earlier.

**NYSE volume**




### Canada

A MODERATE rise at the opening in Toronto was eroded by midsession on expectations of a rise in interest rates.

The composite index gained 0.67 to 3,678.00, with advances holding a slim lead over declines.

Among blue chips, Alcan was unchanged at C$25½, Imperial Oil A lost C$⅛ to C$61⅛, Seagram eased C$⅝ to C$91⅛, Northern Telecom was off C$⅛ at C$29⅞, Royal Bank of Canada fell C$⅛ to C$23 and BCE was up C$⅜ at C$41⅝.

### SOUTH AFRICA

GOLD SHARES were little changed in Johannesburg, as investors waited to see the direction of the bullion price. Vaal Reefs recovered from an early loss to close up R1 at R394, while Western Deep and Southvaal each fell R1 to R160 and R182 respectively.

EUROPE

# Frankfurt advances to record highs

WEST GERMANY hit all-time highs yesterday, spearheading a gentle advance throughout most of the Continent, *writes Our Markets Staff.*

FRANKFURT reported strong buying demand from Japanese and West German fund managers, happy with the banking results season and enthusiastic about a slightly suspect engineering sector.

Key indices hit all-time highs with the FAZ rising 14.30 to 826.26 at midsession and the DAX closing 25.29 better at 1,953.89. The DAX also made a new intraday high of 1,961.77 against its previous best of 1,957.74 on February 6; talk spread of topping the 2,000 level by next week.

Volume jumped *from* DM7.2bn to DM11.1bn with Daimler, Deutsche Bank and Siemens all topping the DM1bn level in the most active stocks list. *Daimler rose DM22.50 to* DM938.50, Deutsche Bank was more mundane with a DM3 rise to DM826 – its 22.6 per cent rise in group operating profits coming back to an 11.7 per cent gain at the net level – and Siemens made DM11 to DM803.

Engineers showed the biggest rises of the day, with KHD rising DM10 to DM264, Krupp DM12 to DM385 and Linde DM40 to DM1019. In contrast, West German engineering orders for February declined by about 4 per cent year on year.

AMSTERDAM was alive with merger and acquisition news and speculation, as the overall market rose in moderate trading following a slight rise by bonds and the Frankfurt rally. The CBS tendency index added 0.3 to 116.3.

Bührmann-Tetterode, *the* paper and office equipment company, rose 80 cents to Fl 62.90 after its takeover target, Robert Horne, the UK paper merchant, said that it would make an announcement.

Amev, the insurer, gained 30 cents to Fl 60.30 on rumours of a tie-up with Groupe AG of Belgium, which propelled other insurance stocks higher. In banking, Amro and ABN eased again, losing 50 cents to *Fl 79.50 and 20 cents to Fl 39.90* respectively after their merger news this week.

On the over-the-counter market, Verkade, the biscuit maker which was suspended on Wednesday, shot up Fl 131, or 47.5 per cent, to Fl 407 after news of a planned Fl 400-a-share bid by United Biscuits of the UK.

Elsevier, the publisher, rose 30 cents to Fl 81.90 before its results today. Center Parcs, the leisure concern, was suspended at an unchanged price *of Fl 51,* before disappointing news of a 63 per cent fall in profits after large extraordinary losses. Bols, the distiller, fell Fl 3.50 to Fl 165 after Wednesday's news of higher profits.

MILAN saw good and bad news, and came strongly out of the day. The Comit index rose 3.23 to 677.81; Fiat, fixed L6 lower at L10,194 but rising to L10,300 after hours, indicated the change in mood.

Banks rose on the passing of *the Amato law, designed* to transform Italy's publicly held banks into joint stock companies and expected to make them more competitive. However, the market was unsettled by delayed settlement of the March bourse trading account, originally set for today, because of a small local firm's financial difficulties.

In chemicals, Enimont ended L32 higher at L1,439 after closing at L1,500; Montedison *chairman* Mr Raul Gardini gained majority control of the board on Wednesday. However, another ENI offshoot, the oil services company Saipem, fell *L101 to L3,180 after reporting a* L87.5bn net loss.

PARIS had another fairly dull day, with Paribas and a few other features providing *the only interest. The CAC 40* index added 7.90 to 1,947.23 in turnover estimated at similar to Wednesday's FFr2bn.

Paribas eased FFr3 to FFr669 in volume of *161,400 shares* before the anticipated management restructuring. A rise in net profits of 30 per cent was in line with expectations.

Lyonnaise des Eaux rose FFr6 to FFr630 on good fundamentals and on talk that Suez might raise its stake in the water company. Lafarge Coppée, the cement producer, continued to gain in a rather delayed reaction to its results earlier in the week, rising FFr6.90 to FFr358.90.

Takeover speculation set Ingenico, an electronics company, jumping again, rising FFr17.10 to FFr152 on active volume of 108,225 shares. The *chairman said that a US predator* could be behind the recent buying.

ZURICH enjoyed another day of bargain-hunting as the Crédit Suisse index rose 5.9 to 590.8 in moderate trading. It opened strongly in engineering, where Landis & Gyr closed SFr50 higher at SFr1,420, and went on to a recovery in insurance stocks, weak recently on potential damage claims from winter storms. Winterthur climbed SFr70 to SFr3,460 and Swiss Re by SFr100 to SFr3,220.

BRUSSELS fell in thin volume, with the insurance companies retreating after gains *earlier in the week.* Groupe AG lost BFr125 to BFr11,725 after reporting profits up 21 per cent and Royale Belge shed BFr90 to BFr5,860 on slightly higher *1989 earnings. The cash market* index lost 10.9 to 6,149.20.

VIENNA advanced in busy trading, with the bourse index gaining 15.58 to 706.14. Austrian Airlines *rose Sch250* to Sch5,100.

# South Korea shrugs off attempts at resuscitation

**John Ridding** explains the economic worries and financial reform plans weighing down a former star

SOUTH KOREA's stock exchange, a star performer among emerging markets until the last 12 months, has been suffering a protracted spell in the doldrums.

Since the beginning of 1990 the index has fallen by about 10 per cent, and stands at its lowest level since the start of last year; it rose slightly yesterday *to 824.59, up 5.55. It has* shrugged off official attempts at resuscitation through the injection of funds and the easing of margin trading restrictions, giving the lie to the myth of government control.

Although the downturn coincides with the dramatic collapse of the neighbouring Tokyo exchange, the weakness of the Seoul market, which remains closed to foreign investors until 1992, is the result of factors which are specifically Korean.

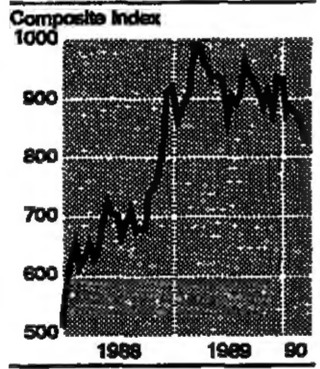
On the one hand, there is concern about the performance of the economy. Last year's gross national product increase of 6.7 per cent, while the dream of western finance ministers, was only half of the rate achieved in the preceding two years. Exports, the traditional engine of the economy, chalked up a meagre 3 per cent improvement.

The Government and the business community have doubtless exaggerated the gravity of the situation in an attempt to quell the labour militancy and high wage awards which have ravaged the economy for three years. But unsurprisingly, they have had difficulty in bolstering the market and broadcasting a message of economic crisis in the same breath.

At least as important in explaining the market's malaise is investors' concern about proposed financial reforms. In particular, a proposed scheme to enforce the use of real names in financial transactions has prompted a flood of money into assets which will remain free from official scrutiny. "We think that the real name reform has been the biggest problem over the last six months and has prompted the heavy selling pressure," says Mr Phillip Ham of Schroders.

The purpose of the reform would be twofold. On the one hand, it would eliminate malpractices such as insider dealing. On the other, it could help the implementation of a system of capital gains taxation and a more progressive system of dividend taxation, with the broader goal of reducing disparities of wealth.

**South Korea**




**In 1990 the index has fallen by about 10 per cent and stands at its lowest level since *the start of last year***

Such has been the resistance to the measure, however, that the reform is almost certain to be postponed. A new cabinet economic team, installed earlier this month, has indicated that the current economic conditions, and in particular the slowdown of private sector investment, make it necessary to postpone the reform.

While the market can be expected to welcome this volte-face, the new economics team is also expected to boost the flagging index through a more expansionary macroeconomic policy. A package of sti*mulatory policies is expected* this week, with special emphasis on reviving exports.

Notwithstanding the clear signals of a policy change being emitted by the new economics team, the market remains unimpressed. "There is a feeling that the Government is constrained in what it can do and investors are waiting to see some concrete measures," says one analyst at a US securities company.

Even then, however, any dramatic improvement is considered unlikely. "With economic statistics still unimpressive and the wage negotiation process about to get under way, we would not expect any recovery to be sustained purely on the back of government measures," says Mr Thae Kwarg of Barings Securities.

Although the market remains closed to foreigners, its weakness does have implications for international investors. The downturn in the underlying exchange has been a factor in the sharp decline in prices of Korean Euromarket instruments. Moreover, with the stock market scheduled to open to international investors in 1992, its performance before then will help to determine the amount of interest.

Most analysts expect a pick-up from the second half of the year and accelerated improvement as 1992 draws near. But for now, the market's decline shows it is not the one way bet that its performance in the 1980s had suggested.

ASIA PACIFIC

# Late selling wipes out yen-inspired recovery

### Tokyo

A SHORT-LIVED recovery from Wednesday's plunge saw share prices firm in morning trading yesterday, buoyed by the yen's recovery against the dollar and a rebound in bond prices. But equities lost their early gains on late index-linked selling, *writes Martina Gamon in Tokyo.*

The Nikkei average finished *lower for* for the third day in succession, losing 237.41 to 31,026.16, relatively close to its low for the day of 30,876.60 and a good deal further from its *high of 31,437.61.*

Declining issues led advances by 687 to 301, and a further 120 remained unchanged. Volume increased modestly to 700m shares from Wednesday's 600m. The broad-based Topix index lost 7 points to 2,322 and, *in London,* the ISE/Nikkei 50 index fell 13.05 to 1,708.42.

On the currency market, the Bank of Japan continued its powerful intervention, selling the dollar in Tokyo trading; this followed the re-entry of the US Federal Reserve into the New York market on Wednesday after an absence of a week. The yen closed at Y156.65 to the dollar, an improvement of Y2 since the New York close.

Government bond futures and cash bond prices firmed as it began to appear that the yen's recent downtrend against the dollar had come to a halt. The yield on the benchmark 10-year bond, the 119th issue, closed at 7.19 per cent, a sharp decline of 16 basis points. Prices moved in a narrow range in slow trading as some dealers unloaded their holdings to take profits and others placed fresh buy orders.

However, the one-day gain may have been seen as suspect and there was a body of opinion which expected the dollar's strength and high domestic interest rates to continue.

There was heavy selling of interest rate-sensitive stocks such as steels: Sumitomo Metal Industries fell Y25 to Y577.

Real estate oriented shares such as railroads, including Tokyu and Tobu Railway were easier, as buying continued to focus on earnings prospects.

Electricals, such as Hitachi, NEC and Mitsubishi Electric, dominated the active stocks list, these three posting gains of Y40 to Y1,640, Y20 to Y2,170 and Y50 to Y1,000 respectively. "Regardless of the yen's movement one way or the other, exporters such as electricals and precisions are continuing to buck the market trend," said Mr George Nimmo, equity sales manager at SBCI.

Mr Nimmo added that the *market was generally firm,* in spite of the late onslaught by sellers yesterday. He maintained that buyers are still prepared to go for companies with medium to longer term prospects and good earnings.

In Osaka, volume was high at 68m shares. The OSE average dipped sharply to close 321.11 lower at 33,094.04. Some issues in the chemical, textile, bank and railway sectors came under selling pressure and international blue-chip electricals were bought heavily.

### Roundup

A QUIET day in the Pacific Basin left leading markets mixed. Taiwan was closed for a local holiday.

*HONG KONG* moved back above the 3,000 level on the Hang Seng index after late buying in Hongkong Telecom. The index gained 9.82 to 3,000.52 in turnover of HK$1.54bn, up from Wednesday's HK$1.46bn.

HK Telecom added 10 cents to HK$5.55 amid speculation that it would spin off some divisions into listed companies. Swire Pacific lost 10 cents to HK$15.80 before announcing net profits up 2.7 per cent.

AUSTRALIA slipped in quiet trading on nervousness about Tokyo, with the All Ordinaries index down 9.6 at 1,547.0, ending above its low of 1,540.9. Volume was boosted by options-related trading to 83m shares worth A$183m, up from 74m and A$157m.

The news that Prime Minister Bob Hawke had officially declared victory after Saturday's elections had little effect on the market. ANZ, the bank, fell 8 cents to A$5.42 on reports that it would buy National Mutual Royal Bank.

SINGAPORE was discouraged by Tokyo's loss and finished lower in quiet trading. The Straits Times Industrial index fell 10.95 to 1,594.21 in volume of 88m shares, up from Wednesday's 82m.

JAKARTA edged up as bank stocks continued to rise on speculation that banking rules will be changed at the start of the new fiscal year in April. Bank Bali gained 1,000 rupiah to 17,000 rupiah. MANILA fell as investors switched from equities to government securities. The composite index lost 22.14 to 1,098.18.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY MARCH 28 1990 | | | | | | TUESDAY MARCH 27 1990 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989/90 High | 1989/90 Low | Year ago (approx) |
| Australia (83) | 136.22 | −0.1 | 123.90 | 121.36 | −0.2 | 5.70 | 136.42 | 124.39 | 121.63 | 160.41 | 128.28 | 135.84 |
| Austria (19) | 267.41 | +1.1 | 243.23 | 237.84 | +0.9 | 1.12 | 264.40 | 241.08 | 235.41 | 285.63 | 92.84 | 107.36 |
| Belgium (61) | 146.87 | +0.7 | 133.59 | 127.85 | +0.4 | 4.38 | 145.88 | 133.01 | 127.35 | 160.02 | 125.58 | 128.60 |
| Canada (120) | 141.40 | +0.1 | 128.61 | 120.41 | +0.1 | 3.35 | 141.24 | 128.78 | 120.27 | 154.17 | 124.67 | 133.25 |
| Denmark (36) | 257.58 | +0.2 | 234.26 | 228.22 | +0.2 | 1.41 | 256.93 | 234.27 | 227.84 | 260.82 | 165.35 | 168.96 |
| *Finland (26)* | *139.89* | *−1.5* | *127.24* | *118.34* | *−1.6* | *2.53* | *142.00* | *129.48* | *120.32* | *159.16* | *118.63* | *147.23* |
| France (125) | 150.84 | −0.1 | 137.20 | 135.82 | −0.3 | 2.81 | 150.95 | 137.63 | 136.21 | 157.97 | 112.57 | 115.89 |
| West Germany (96) | 133.06 | −0.2 | 121.03 | 118.16 | −0.3 | 1.81 | 133.36 | 121.60 | 118.56 | 137.01 | 79.56 | 82.20 |
| Hong Kong (48) | 123.18 | −0.9 | 112.04 | 123.60 | −0.8 | 4.89 | 124.24 | 113.28 | 124.63 | 140.33 | 86.41 | 126.51 |
| Ireland (17) | 187.02 | +0.4 | 170.11 | 168.28 | +0.1 | 2.50 | 186.28 | 169.86 | 168.15 | 198.57 | 125.00 | 139.81 |
| Italy (96) | 95.60 | +0.0 | 86.96 | 89.62 | +0.0 | 2.59 | 95.59 | 87.16 | 89.66 | 102.11 | 74.97 | 81.44 |
| Japan (455) | 139.40 | −2.5 | 126.79 | 139.60 | −1.6 | 0.59 | 142.98 | 130.35 | 142.10 | 200.11 | 133.57 | 186.81 |
| Malaysia (36) | 230.51 | −0.7 | 209.66 | 242.18 | −0.6 | 2.19 | 232.15 | 211.66 | 243.73 | 245.32 | 143.35 | 161.46 |
| Mexico (13) | 384.11 | −0.7 | 349.38 | 1167.52 | −0.6 | 0.44 | 386.70 | 352.59 | 1174.94 | 409.41 | 153.32 | 165.71 |
| Netherland (43) | 138.66 | +0.7 | 126.12 | 121.64 | +0.6 | 4.59 | 137.63 | 125.49 | 120.92 | 145.66 | 110.83 | 115.66 |
| New Zealand (17) | 61.60 | −0.3 | 56.03 | 56.78 | +0.4 | 6.29 | 61.81 | 56.36 | 56.51 | 88.18 | 60.44 | 70.23 |
| *Norway (24)* | 238.09 | −0.5 | 218.55 | 213.36 | −0.5 | 1.65 | 239.27 | 218.17 | 214.34 | 245.90 | 139.92 | 172.51 |
| Singapore (26) | 195.80 | −0.8 | 178.10 | 170.09 | −0.7 | 1.71 | 197.30 | 179.90 | 171.20 | 199.38 | 124.57 | 147.38 |
| South Africa (60) | 197.39 | +3.3 | 179.54 | 168.88 | +2.6 | 3.50 | 191.16 | 174.30 | 164.84 | 251.38 | 115.35 | 139.75 |
| Spain (43) | 138.22 | −0.8 | 125.72 | 114.34 | −0.9 | 4.67 | 139.34 | 127.05 | 115.38 | 169.75 | 138.01 | 146.74 |
| Sweden (35) | 176.85 | −0.1 | 160.86 | 161.27 | −0.2 | 2.42 | 177.06 | 161.44 | 161.53 | 206.95 | 138.45 | 157.20 |
| Switzerland (62) | 89.14 | +0.4 | 81.08 | 83.65 | +0.2 | 2.35 | 88.75 | 80.92 | 83.47 | 99.12 | 67.81 | 74.80 |
| United Kingdom (306) | 150.09 | +0.6 | 136.51 | 136.51 | +0.4 | 4.81 | 149.16 | 136.01 | 136.01 | 164.31 | 133.26 | 146.17 |
| USA (540) | 137.93 | +0.3 | 125.46 | 137.93 | +0.3 | 3.48 | 137.47 | 125.35 | 137.47 | 146.29 | 112.13 | 118.78 |
| Europe (989) | 138.84 | +0.3 | 126.28 | 124.44 | +0.1 | 3.54 | 138.49 | 126.27 | 124.36 | 146.86 | 112.63 | 117.29 |
| Nordic (121) | 189.37 | −0.1 | 172.24 | 163.62 | −0.1 | 1.91 | 189.53 | 172.81 | 163.85 | 201.89 | 137.96 | 149.33 |
| Pacific Basin (665) | 138.70 | −2.3 | 126.16 | 138.41 | −1.5 | 0.91 | 142.03 | 129.50 | 140.56 | 194.72 | 133.29 | 182.27 |
| Euro−Pacific (1654) | 139.11 | −1.3 | 126.53 | 133.33 | −0.9 | 1.98 | 140.95 | 128.52 | 134.53 | 174.18 | 135.46 | 159.29 |
| North America (660) | 138.04 | +0.3 | 125.56 | 136.81 | +0.3 | 3.47 | 137.60 | 125.47 | 136.37 | 146.66 | 112.79 | 119.55 |
| Europe Ex. UK (683) | 130.39 | +0.0 | 118.60 | 116.78 | −0.1 | 2.73 | 130.35 | 118.86 | 116.93 | 135.73 | 96.30 | 99.42 |
| Pacific Ex. Japan (210) | 129.63 | −0.5 | 117.91 | 118.96 | −0.4 | 4.95 | 130.23 | 118.74 | 119.48 | 140.05 | 111.93 | 127.82 |
| World Ex. US (1847) | 139.89 | −1.2 | 127.24 | 133.58 | −0.8 | 2.04 | 141.58 | 129.10 | 134.68 | 173.77 | 136.48 | 165.32 |
| *World Ex. UK (2081)* | *136.95* | *−0.8* | *124.57* | *134.75* | *−0.5* | *2.29* | *138.07* | *125.89* | *135.44* | *162.00* | *134.02* | *140.70* |
| World Ex. So. Af. (2327) | 137.75 | −0.7 | 125.29 | 134.65 | −0.4 | 2.53 | 138.72 | 126.49 | 135.25 | 161.84 | 134.71 | 141.18 |
| World Ex. Japan (1932) | 138.84 | +0.3 | 126.28 | 132.46 | +0.2 | 3.55 | 138.42 | 126.21 | 132.19 | 145.52 | 114.51 | 119.30 |
| The World Index (2387) | 138.11 | −0.7 | 125.62 | 134.88 | −0.4 | 2.54 | 139.04 | 126.78 | 135.46 | 162.05 | 135.13 | 141.17 |


Latest prices were unavailable for this edition. Canadian and US prices taken at 3.30 (local time).
**FURTHER QUARTER-END CONSTITUENT CHANGES:** Saga Petroleum (Norway) will be inserted with effect from April 2 1990.